Member of Audit Bureau of Circulations

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WITH THE EDITORS

Salutary New Margin Regulations

WHATEVER the fundamental merits of the old margin regulations, they were altogether too complicated. By abandoning them for a straight percentage of market price the Board of Governors of the Federal Reserve System have relieved brokers of much trouble and placed the average man in a position where he can work out for himself how he stands on his security borrowings. By placing bank loans on securities on the same basis the Board has put banks and brokers on an equal footing.

The new regulations which became effective April 1 place the maximum loan value of any listed security, whether stock or bond, at a flat 45 per cent of its market value. This means, of course, that the customer must put up 55 per cent of the market price in his own money. It does not, however, mean that he must maintain constantly a 55 per cent margin. Having originally put up this much, the point at which he will be called for additional margin in the event of a decline in price remains a matter for the individual discretion of his broker or bank. Even should the security decline so far in price that it entirely wipes out the equity, the Board of Governors will not interfere in any way.

As has been said, the great advantage of the new regulations is simplicity. Prior to this, margin requirements were fixed at 55 per cent—at one time 45 per cent—of the current market price, or 100 per cent of the lowest price registered since July 1, 1933, could be borrowed. In no event, however, could a buyer put up less than 25 per cent of the market value. This had a curious effect. Suppose a stock were selling at 100, having sold as low as 75; it could be bought by putting up $25 a share. Suppose now that the stock rises to 150: It has no more loan value than it had in the first place, for one could borrow only 45 per cent of the market price, which is $67.50, and so one would have to fall back on the basis at which it was originally purchased—that is, borrowing 100 per cent of the low, or $75 a share. There was thus created what became known as an anti-pyramiding zone, a zone in which paper profits could not be used to purchase additional stock, the objective, of course, being to curb excessive speculation. Whether it had indeed this effect is questionable, for it must be borne in mind that some of the wildest speculation in history, the South Sea Bubble and the Dutch Tulip boom for example, were carried out on a cash basis.

Apart from the factor of simplicity, the general effect of the new margin rules is somewhat stricter requirements. They have no effect upon the stocks outside the anti-pyramiding zone, for the requirements are the same as before. For the stocks inside that zone, however, it means that they must be margined by 55 per cent of the market value, instead of possibly as little as 25 per cent. Slightly tighter margins are not particularly important at the present time, for seldom have we had as extensive and lengthy bull market so largely financed on a cash basis.

In The Next Issue

For Greatest Progress in 1936

—Consumers Goods? —Heavy Industries?

By John D. C. Weldon

Are the heavy goods industries nearing a peak—or will new forces carry them into a further advance? For some time the heavy industries have overshadowed improvement in the consumer lines. Will this position now be adjusted—reversed? Here are questions of practical importance to investors and executives in all fields of industrial enterprise—answered by a recognized expert.

How the New Taxes

Social Security — Corporate Surpluses

Affect Investment Selections?

By J. C. Clifford

What the social security and other corporate taxes will cost the companies this year and 1937. This consideration is an important factor in selecting securities for either speculation or investment.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

The Trend of Events

NO PRICE FIXING WITHIN THE LAW

THE anti-trust acts being what they are trade associations can not complain of the Supreme Court's decision in the Sugar Institute case. Potential price competition is essential to the maintenance of competition, although it may well be unfair competition and even tend to the destruction of all competition. At the same time it is undeniable that ever since the Sherman act became law the effort to evade the prohibition of price agreements has been persistent and continuous. The decision in the Sugar Institute case should make it clear that it is hopeless to fix prices by agreement and remain within the law. If there is something inherently destructive in price competition the remedy is in amendment of the law and not in further efforts to obtain relief through judicial interpretation. There is nothing of the persecuting spirit in this decision; indeed the court is sympathetic with the efforts of the Institute to improve conditions in the sugar industry. There is nothing in the decree to interfere with the activities of trade associations which aim at the avoidance of destructive price competition through the gathering and publication of statistics and of trade practices—nothing to prevent the announcement of past prices or even the dissemination of information concerning intended prices. There is no conflict with codes of trade ethics aimed at unfair trade practices. Business is not menaced by this decision any more than it has been menaced ever since the Sherman act was passed, and particularly since the Clayton act. The national policy is patently against the determination of prices by agreement. It is often disastrous to the public welfare but it is established and probably permanent. And it is well to keep in mind that group price fixing is an open door to another dose of something like N R A.

EASY MONEY LIGHTENS THE DEBT LOAD

THE argument for inflation is that it wipes out debt. So it does, but it also wipes out savings and working capital and character, leaving ruin in its wake. Easy money accomplishes a desirable objective that printing press money can never attain. We have had easy money for several years, and because of it our debt burden steadily becomes lighter in that the service of it costs less. Both the Government and industry have been re-financing at record low rates.

Corporate refunding operations in 1935 were in the largest volume in our history. Exclusive of the Government's issues, financing in the first quarter of this

year was approximately $1,100,000,000 or three times the total of the first quarter of last year. Some 20 per cent of this represented the raising of new capital, although more by municipalities than by industry. The current month's financing will top that of March, probably exceeding $530,000,000.

To the extent that Government control of the capital market was formerly regarded as a barrier to recovery, the barrier is now down. The machinery of regulation has proved workable. It remains for further growth of confidence to shift emphasis from refunding, at immediate savings in interest, to the bolder new capital financing that will take heavy industry over the top.

CONSUMERS DECIDE THE FATE OF COAL

If you would rather drink beer than milk no amount of Government planning at Washington can alter your preference; and if millions of people shared your taste it would be quite futile for legislators to pass a law designed to save the milk industry by fixing its terms of wages, hours of work and, incidentally, raising its prices. Yet, in the Guffey Law, this is precisely what the Government has tried to do for the bituminous coal industry.

The Supreme Court will soon pass upon the constitutionality of the Guffey Law; and advocates of this "little N R A" for bituminous coal apparently entertain a pathetic belief that the fate of the industry hangs upon the decision of "the nine old men." It does no such thing. The fate of coal hangs upon the decision of millions of consumers who during the past three decades and especially during the past fifteen years have increasingly preferred fuel oil, natural gas and water power to coal as sources of heat or energy. Bituminous coal had 90 per cent of the energy market in 1899. Today it has little more than 50 per cent. Over the same period demand for anthracite coal has been cut by about two-thirds.

If upheld by the court, Government planning for coal is going to be a great help to fuel oil, natural gas and water power. Any "planning" that ignores so simple a reality as consumer preference is not only futile but inevitably will backfire. Genuine planning is one thing. Wishful thinking is another. Men who have to think of every measure in terms of politics will always find it hard to make the distinction.

A GOOD OBJECTIVE IS NOT ENOUGH

The movement to seek a greater degree of "social security" through collective action is here to stay. It is agreed that the objective is desirable; but beyond this easy generalization lies the real problem — that of method. The objective is illusory if the method of approach is unworkable; and it will be the method, rather than the objective, that the United States Supreme Court will ultimately pass upon in determining the validity of the Social Security Act.

In the first significant legal test of "social security," Supreme Court Justice Pierce H. Russell recently held the New York State unemployment insurance act "invalid, unconstitutional, illegal and void." The decision attacked specifically the principle of lumping into a common pool the unemployment insurance funds raised by taxation of all corporations employing more than a specified minimum of workers. This common pool principle is the same as in the Federal law.

"The compulsory contribution by an employer to be paid as an unemployment insurance benefit to an employee of another," ruled Justice Russell, "is invalid under our system of government; and constitutes unwarranted, unreasonable and arbitrary transfer of the property of one to another in violation of the due process clause of the Constitution."

Experience will undoubtedly make many modifications of the Federal law necessary, for whereas Chairman John G. Winant of the Social Security Board states that all that is desirable is incorporated in the law, he fails to observe that much that is undesirable is also incorporated. Among the latter the common pool principle of unemployment reserves seems to our lay mind to stick out like a sore thumb. The remedy is the simple one of segregating such reserves for each corporation, as is now done in Wisconsin. We see no logic in taxing a motor manufacturer in Detroit for the benefit of workers let out by a corset manufacturer in Brooklyn.

FLOODS MAKE BUSINESS

'Tis an ill wind that blows no one any good. Floods have brought destruction to many communities in the East but the aftermath of reconstruction is giving business activity in many lines a fortuitous fillip. Is there a net gain in this paradox? Probably not, if you reckon among other losses the vast quantities of fertile top soil swept irrevocably down to the sea; but destruction of man-made wealth does quickly what depreciation and obsolescence do slowly. Out of the war-torn ruins of northern France arose new and better structures, contributing greatly to industrial activity during the period of reconstruction. In our flooded areas, homes, stores and factories are not only being rehabilitated but in many instances made better than before. Reckoning the cost of repairing an obsolete machine, a manufacturer decides to add a bit and buy the latest thing. Lumber, steel, paint, cement—all the things that go into structures, bridges and street pavements—are now feeling the lift that follows apparent disaster.

THE MARKET PROSPECT

Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 754. The counsel embodied in this feature should be considered in connection with all investment suggestions, elsewhere in this issue. Monday, April 6, 1936.

As I See It ~ By Charles Benedict

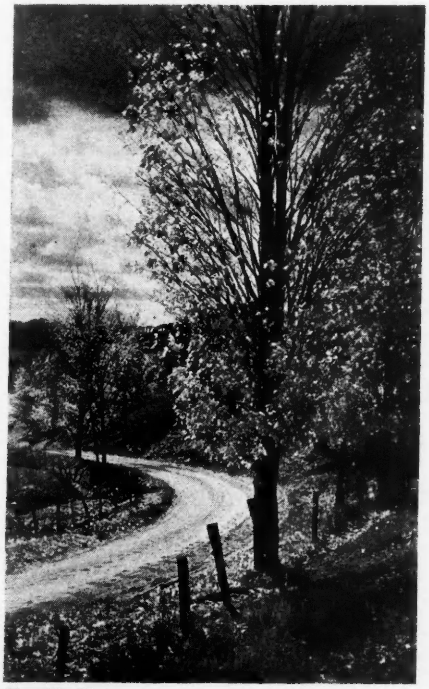
"Man the Unknown"

THIS amazing book—the work of that great surgeon, Dr. Alexis Carrel, throws the light of a scientist and a philosopher on the problems and conflicts that convulse mankind today. If we could see ourselves as Dr. Carrel sees us,—and then did something about it,—we might set in motion a force for good that would really help all mankind. "After all," as Dr. Carrel so truly says, "the purpose of civilization is not the progress of science and machines but the progress of man."

Throughout the centuries men have set up one system after another to establish equality, freedom and happiness. One after another these ideas, so enthusiastically proclaimed as a means of achieving the goal of civilization have been discarded and replaced by some new theory. In spite of the resulting periodic convulsions, men still continue to attempt to make over the world on a basis of newer doctrinarian and visionary expedients,—which result merely in the shifting of power from one group to another, while the basic problem of the civilization of mankind remains unsolved.

Today the chaos continues, with revolutionaries all over the world furiously attempting to remake the unknown. The whole world is being torn to bits while a few leaders irresponsibly propose the reconstruction of society on the basis of a purely mental conception of an abstract man. We are led by thinkers who are as remote from the knowledge of individual men as the masses they would enlighten and lead.

We agree with Carrel that "it is chiefly the intellectual and moral deficiencies of the political leaders, and their ignorance, which endanger modern nations." That,—"the systems of government, entirely constructed in the minds of doctrinaires are valueless." That,—"the principles of the French Revolution, the visions of Marx and Lenin," and their offshoots of Nazism and Fascism "apply only to abstract men."



Nesmith Photo

We owe a great deal to Dr. Carrel for giving us his enlightened views—for the example of his courageous stand for the truth at the risk of violent criticism and abuse from those who would like us to believe that science is infallible. And, for making us think!

Civilization progresses very slowly because the truth of harmonious living is in constant conflict with man's experience in his daily activities. The art of living as it is practiced in the modern world, where the masses look to those in high places for guidance, is far from inspiring. It has resulted in a general deterioration and decadence of people in all walks of life.

Men do not meet each other individually or collectively on a sound basis of justice and fairness; but on the most primitive plane,—that of dog eat dog. Too infrequently are problems adjusted with either side thinking of the necessity of the other. For example, Europe today is not concerned with the fundamentals of the problem of a lasting peace,—but merely with the exigencies of the moment. Each country is trying to gain its point—to hold every advantage—and each is intent on the game of outwitting

(Please turn to page 807)

What's Ahead for the Market?

By A. T. Miller

THE traditional technical difficulties that a bull market encounters in February or March have been surmounted without more than a temporary pause in investment demand and sufficient individual correction in various over-exploited issues to produce a fairly extensive period of irregularity and a slackening of the pace of speculation.

If the internal structure were vulnerable after a year or broad advance and if significent general reaction were in the making, one can only say that the past two months have afforded ample opportunity for such a development, what with the trend of business activity downward during most of the first quarter, the European war scare, another assault on the position of the French franc, widespread floods and the investment and business uncertainty that necessarily attends formulation of a revolutionary tax program at Washington.

Once more in a period of hesitation, however high various popular equities may appear in relation to nearby earnings, significant liquidation simply has failed to appear. And once more the shrinkage of trading activity to a level well under the 1,000,000-shares-a-day figure on dribbling reaction has indicated a line of least resistance still upward. In the existing basic setting such a demonstration is all that is required to produce some revival in speculative optimism, with the result that at this writing selective advance has been resumed. It has taken only a light volume of buying to carry numerous industrial issues to new recovery highs, with the rail and public utility groups participating thus far but modestly on the rally.

In the absence of any substantial gold flow to this country there is some indication that foreign investment buying is less of a factor than it was a few months ago. Nor does it appear that accumulation by domestic investors is as persistent and as broad as it was during most of 1935. This can hardly be regarded as surprising in view of the broad scope of the advance already achieved, the high level of many of the most desirable equities, some doubt as to the consequences of a probable revaluation of the French franc within the next few months and—with our national election looming up just seven months hence —growing conjecture as to whether the "easiest" phase of stock market recovery may not have been experienced.

The bearish argument is advanced that the inflation factor—by which is apparently meant currency inflation—has evaporated; and that without the support of "inflation sentiment" the market should flatten out or decline. As a matter of fact, speculation centered on the inflation theme has been absent for a long time, excepting in temporary and meaningless recurrences at a few intervals. Declining speculation in the commodity markets plainly has reflected the shift of interest to business recovery and to common stocks. The volume of trading in the commodity markets last year was about 15 per cent under that of 1934 and the comparison would be even more striking if purely professional trading were eliminated. It is to be doubted that commission house business in commodities today reaches 30 per cent of the average 1934 volume.

But on no subject has there been more loose reasoning than on inflation, itself a notoriously loose word. At no time has there been any *intent* of the Roosevelt Administration to start up the printing presses. We have had, and continue to have, just one kind of inflation—the Government's budgetary inflation. Yet that is precisely the way all fiat money inflations originate and that is the continuing heart of our monetary uncertainty—an uncertainty relieved by faith in the Federal credit and belief that our deficit financing will cease before the danger point is reached, but an uncertainty nevertheless.

Hence the only inflation factor that has actually disappeared from the market is the erroneous speculative conception of our inflation possibly entertained by some and exploited by many. Make no mistake, however, in the very real and continuing effect of Federal budgetary inflation upon genuine investment policy. The prospect of further deficit financing for an indefinite time is no reason for investors to rush into the market and buy indiscriminately, but, along with confidence in the longer business trend and the reality that cashing profits would merely take large security owners to the tax collector for cleaning, such basic monetary uncertainty as persists in our situation *does* preclude any general urge to liquidate stocks.

And as long as investors for any reason or for various reasons decline to liquidate, speculative selling can make no significant dent in this market. Accordingly, there is nothing for the professional element to do but exploit the line of least resistance—which is upward—as far as opportunity and the prevailing technical setting make possible.

It may very well be that the "easiest" phase of market recovery has been seen for some time to come, and that future advance will be along highly selective

The economic and financial fundamentals making for gradual recovery in stock values are unchanged and the immediate technical setting of the market appears strengthened. With business activity rising, we favor discriminating purchases for investment or for intermediate speculation.

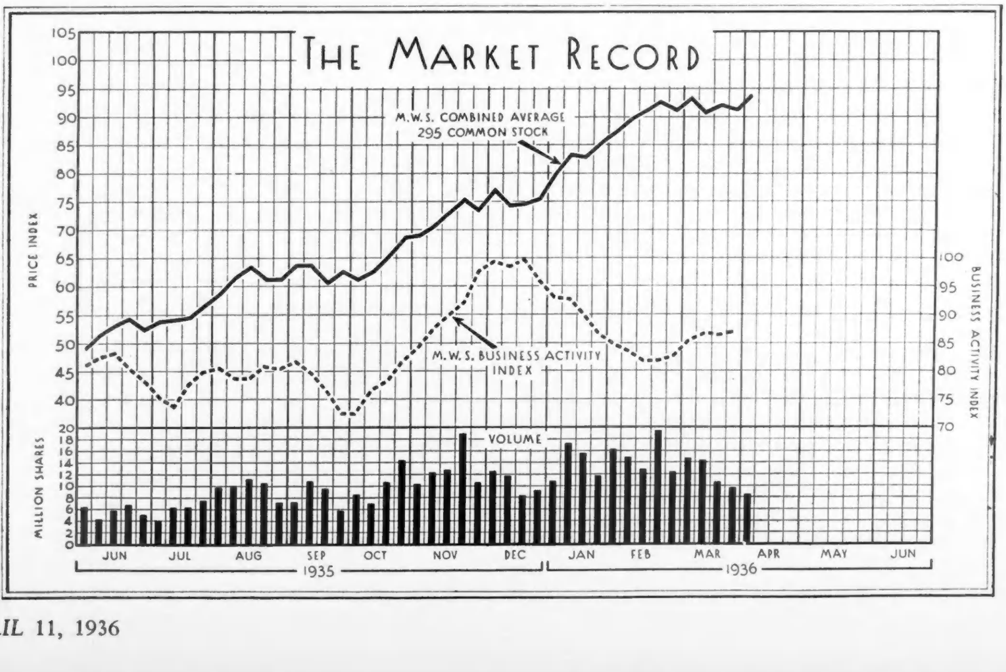
lines; but while the majority of listed issues hold firm, the concentration of attention from week to week on a mere handful of well situated stocks is sufficient to maintain a gradual upward trend. The market has *seemed* slow and irregular throughout most of the first quarter of this year, yet for this period our common stock index shows a net gain of about 14 per cent, not only far more than during the first quarter of last year—during most of which the price trend was downward—but greater than in the first quarter of either 1928 or 1929! Just a persistent, selective advance, without much excitement.

Reflecting the selective nature of the present movement, many consumption goods issues long laggard have come into increasing favor on the theory—quite valid—that they look relatively attractive as compared with many issues which, while possessing a more dynamic long range prospect, have gone perhaps a bit too fast in discounting that prospect. Indeed, it appears that the demonstration of strength in some of the consumption goods issues, notably the mail order and certain chain store equities, went far to convince the professional element that the market was not ready to go into reverse, with the somewhat curious result that speculative buying was resumed in a fairly general section of the industrials, including some in the heavy goods category!

At the start of the second quarter, with business activity moving up, it appears reasonably clear that nothing but some external development of a surprising and shocking nature could present more than temporary, technical difficulties for the market. War threats in Europe having fizzled out for an apparently indefinite time, we are unable to imagine from what quarter such a shock could come. If the French franc is revalued, it will hardly be until some time after the French elections, to be held late this month; and revaluation, if it comes, will probably be similar to the action of Belgium taken just a year ago: that is, a definite gold standard revaluation of 20 to 25 per cent. Since this eventuality has now been dangled over the head of the stock market for fully two years, it is greatly to be doubted that it could prove to be more than a temporary shock, without effect on the major trend.

Business activity in the aggregate has already regained the losses caused by recent floods in the New England and Middle Atlantic valleys, and, indeed, the work of reconstruction has imparted an additional impetus to industry in structural demand for steel, lumber and paint and in quickened demand for machinery and equipment. Steel activity has spurted to an operating rate around 64 per cent of capacity or the highest level in nearly six years.

In the economic and financial fundamentals there is no cause for altering a conservatively bullish investment attitude. In both the fundamentals and the present technical indications there is support for discriminating speculative purchases for intermediate trading purposes.



Happening in Washington

By E. K. T.

Washington Sees—

Ways and Means Committee distracted over revelations of boomerang results from penalties on retained profits.

Administration driving wedge between large and small corporations and between large and small taxpayers.

President's policies interpreted in his statement that politics is largely adjustment of conflicting economic interests.

No processing taxes.

Big flood control appropriations—with no corresponding taxation.

Ditto for Ickes Public Works.

Failure likely of railway-labor conference on protection of employment—Wheeler-Crosser bill to pass.

Railway freight surcharges to vanish.

Supreme Court disposition of utilities law—off until 1937—a tactical victory for administration

Currency and pension delusions go up in smoke.

Menacing revival of 30-hour week proposals.

It is not generally realized that the Ways and Means Committee is not proposing to tax undistributed profits directly. The proposed plan has finally become, in fact, a graduated tax on corporation net income which runs up as high as 42.5 (as against 15 per cent at present.) The graduation is inversely according to the proportion of net income that is paid out in dividends; but the rate, as thus determined, is applied to the *whole of the net income of the corporation.* In its present revised form the new tax scheme makes it possible for a corporation to put by a neat nest egg, if it is not guilty of greater size than a net income of $10,000 a year would indicate, without paying as great an income tax as at present. For example: a corporation with that income which holds back 30 per cent of its adjusted net income would pay a tax of only 7.5 per cent on that income. Even if the net income is more than $10,000 the taxation rate will be "only" 15 per cent.

Administration protagonists are shrewdly (politically) endeavoring to drive a wedge between small shareholders and large shareholders with respect to the tax legislation. Thus: If a company withholds profits from dividends at present, the little shareholder, like the big one, is still standing his share of the corporation tax at the 12.5 to 15 per cent rate. But had the little fellow received his full share of all profits, thus shifting the whole tax on the corporation from its treasury to the pocketbook of the individual, he would be paying only 4 per cent (that is, below the surtax level.)

Discrimination—It is also being pointed out to business people who are not incorporated that the people who are incorporated have an advantage over them. An individual or a partnership is automatically taxed on its net income, or profits; whereas an individual in a corporation pays no taxes on profits which are not turned into dividends.

To these units of "the great common people" the idea is being "sold" that the effort to make the corporations shell out is in part to be interpreted merely as elemental justice—as an effort to prevent a premium being allowed to the citizen who puts his money into a corporation, a privileged business form created by law, which has stop loss barriers.

Little corporations and little fellows not in corporations — partners, individual business men and salaried people—are told that the new taxation plan does not add to their burdens but does tend to shift the onus of taxation from their shoulders to the shoulders of more fortunate members of the community.

Political effect is the big thing in the tax legislation. Ways and Means Committee is not even considering processing taxation. New income tax approach plus the windfall tax is all it will hand the House when it finally drafts a bill, about April 15.

To the Senate will be left the brunt of meeting the President's insistence that all additions to the expenditures side of the budget must be met by additions to the tax load.

Processing taxes are opposed by farmers and organized labor. Farmers say those taxes reduce the prices they receive and increase the prices consumers pay. . . . *There will be no processing taxes.*

Idea of penalizing accumulation of surpluses or reserves has been shown in the hearings to be brilliant in social theory and perhaps in economic theory but so inequitable in application that justice could be done in practice only by an all-wise and powerful administrative agency considering each corporation by itself. Neither Congress nor the country is in a mood for such a bureau. Don't be surprised if this bill comes out of the Senate as practically a 25 per cent income tax with credits for large distributions.

Pending legislation will be advanced or delayed by Administration forces in Congress according to appraisal of vote-making probabilities.

(1) Long-and-short-haul amendment (Pettingill of Interstate Commerce passed House but will die in Senate Interstate Commerce Committee, probably without

public hearings. Chairman Wheeler is from Montana and Montana, like the rest of the mountainous West likes the present rate structure—long haul rate equal to sum of shorter haul rates.

(2) Modified Patman bill passed by House will go through Senate in some form.

(3) Lobby bill passed by House and due to pass Senate will result in quiescence of the Black lobby investigating committee. Black's abuse of investigating authority of the Committee is deplored by the politically minded in the Administration. It is admitted to have revived fears that the New Deal is pointing toward tyranny.

(4) Van Nuys bill making it unlawful for an employer to influence the votes of employes will be adopted.

(5) Chances favor Wheeler anti-basing point bill despite roars of steel men in hearings. Helps small towns, promotes industrial decentralization.

Harris & Ewing Photo

REP. SAMUEL PETTINGILL

Would let railways bid for long haul business

at last minute. Insurance of loans was cut to 10 per cent fraction. Classification of new construction under $2,000 as modernization was eliminated.—Will be restored for flooded areas.

(11) Thirty hour week bills were revived by A F L lobbyists last week. White House silent support is expected if industry does not respond to President's appeal for more employment.

Short week is another way to shift unemployment burden from public to private treasuries, but it is a gesture of despair—means deliberate acceptance of lower standard of living. But Administration feels it must soon show substantial reduction of unemployment.

Relief appropriation of $1,500,000 is hanging fire. President has made no mention of funds for P W A to carry on. Look for $500,000,000 to bob up. Flood control programs are expected to give lift to employment by Government. Thirty local, regional or general bills of that nature have been introduced.

You may expect that eventually there will be authorization for a billion-dollar program extending over ten years. Some hope is expressed that reconstruction in flooded areas will set off a general revival of heavy construction and residence building.

(6) Industry is showing great interest in anti-stream pollution measure, big attendance at hearings of a sub-committee of the Senate Interstate Commerce commission. Objective is commendable, but changes in waste disposition methods may be required too drastically and expeditiously. Enormous pressure in favor of bill by ever-growing stronger national sentiment in favor of conservation of resources. Better get in touch with your members of Congress.

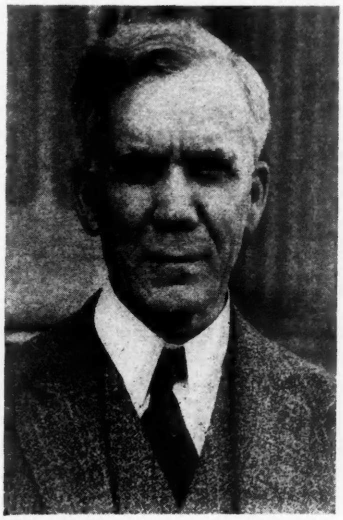
(7) No doubt about passage of Wheeler-Rayburn bill, amending Federal Trade Commission act.

(8) Healey bill, applying N R A principles to firms working on government contracts, will probably pass house in modified form. If it does some sort of law will be enacted, as the Walsh bill long ago passed the Senate. Best manner for opposing efforts is to defeat Healey bill—but slim chance.

(9) Hearings on Wheeler-Crosser bill to forbid reductions in railroad employment (to become effective when the Railway Emergency Act expires on June 16) bring out the eternal conflict between progress and present status. Congress wants lower railway rates and improved service, kicks the railways in the slats for having been dumb for years and yet opposes the economies which are necessary.

Inside reports are that Presidentially fostered negotiations between the railway unions and the railways will fail, with certain result that Wheeler-Crosser bill will become law.

(10) Title 1 (modernization) of National Housing Act was extended



Wide World Photo

REP. ROBERT CROSSER

Would prevent railroad consolidations from eliminating any jobs

Politics—Borah suffers from the recession of Townsendism. . . . Landon continues in the lead for the Republican nomination for president. . . . But it is clear that the convention will be in a deliberative position. . . . Vandenberg's emergence as the Republican leader in the Senate despite Senator McNary's official leadership makes him more and more of a possibility. . . . Friends advise him to stay out—want to save him untarnished by defeat for 1940. . . . Under cover, Republicans are more and more convinced that their fight this year must be mainly toward regaining strength in Congress. . . . Have no high hope of beating Roosevelt, but hope to be in a position to stop Rooseveltism in its tracks. . . . President's friends say his revolution is over, declaring that his second term will be one of consolidation of first term victories, and not one of more "reform." "Prosperity will make further crusading futile."

Department of Labor tells employers to cut out price cutting in order to meet demand for higher wages. Supreme Court (in Sugar Institute case) while conceding that price stability is a legitimate objective declares that price cutting must not be discouraged by agreement.

Sugar decision is, however, constructive on the whole. Will not discourage but, rather, encourage trade association.

(Please turn to page 808)

Gendreau Photo

New Trends in Consumer Buying

Retail Sales in Marked Up Trend Exert Important Influence in Many Lines

By JOHN GUERNSEY*

RETAIL sales of 50 billions in 1929 dropped to 25 billions at the bottom of the depression; rose to 32.5 billions last year and will be between 36 and 37 billions this year. That amount is equal to the entire national debt.

The best sales showing that can be expected for 1936 is still 25 per cent below the 1929 level. Yet retailers consider that they are back to normal; earnings this year will be substantial. The apparent discrepancy in volume is largely accounted for by the difference in prices, which average 16 per cent less. Whereas the wholesale price index for 1929 was 95.3 it is now 80, and also averaged 80 throughout last year. The average for 1933 was 65.9. Price level has much to do with retail volume in dollars.

Retailers are looking for a rather marked increase in consumer-goods prices about the end of May, reflecting in higher prices to the public about July. They expect the level to continue upward throughout the year until early December, when it will round like the top of a breaker and trend downward for a few months. Too many unknown factors affect 1937 to be able to forecast prices beyond March or April. Price forecasting is highly important to retailers, who seldom speculate in commodities but are watchful to restrict buying a month or two ahead of an indicated break. Right now they are buying freely, with eight months of steadily rising prices in anticipation.

Meanwhile current trade is brisk. Easter buying holds promise of reaching gratifying proportions not only in urban centers, but throughout the farm regions where more cash is in hand than there has been for several years past. In addition, recent floods in eleven states are stimulating replacement sales of house furnishings, clothing, building materials and a host of miscellaneous articles.

Retailers came through the depression in better shape than perhaps any major industry. They moved forward more quickly. Retail sales started their advance in August, 1933, to November, 1933 (varying that much between different sections of the country) and have gone ahead every month since, without a break. It was nearly a year later before the automobile industry screwed up its courage to resume volume production, resulting in an equally outstanding record of satisfactory results. The electrical appliance industry, never hard hit throughout the depression but always fearing it would be, was next to get into volume production and aggressive promotion, and you know the result. More refrigerators, washers, ironers and ranges were sold last year than in any year. Right now twelve leading manufacturers and the Edison Electric Institute are co-operating in a big promotion—"electrical housekeeping month"—to boost the sale of electrical housewares (toasters, percolators, irons, waffle irons, fans) up to the same high level.

Retailers knew they had stamina and rebounding power, but it took the depression to prove it to bankers and investors. During 1933 you could pick up any number of good store stocks at one-fourth their current prices. They still look cheap, and for these reasons:

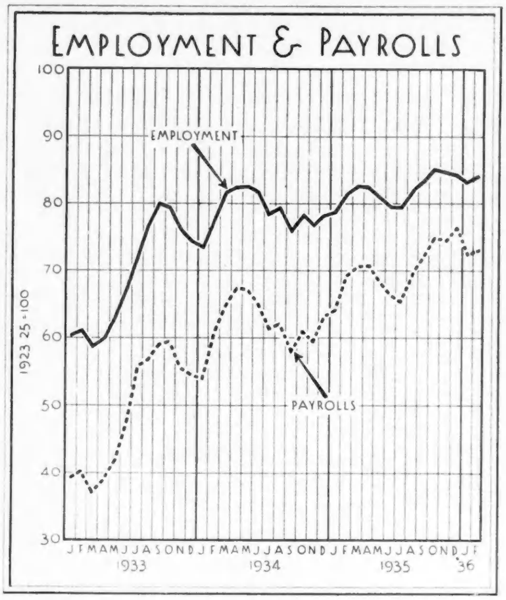
Department Store Sales by Federal Reserve Districts

Gain over 1935

	First 2 mos.	Feb.
Boston	11%	14%
New York	10	12
Philadelphia	9	13
Richmond	11	12
Atlanta	12	19
Cleveland	7	22
Chicago	7	11
St. Louis	8	11
Kansas City	9	7
Minneapolis	5	5
San Francisco	10	13
Total U. S.	9	13

* John Guernsey is editor of Retail Ledger, The Magazine of Retail Management, and a recognized national authority on retail distribution. He has the advantage of many years of big-store operating experience, and was vice-president in charge of sales of a Pacific Coast group of department stores when selected by the Government to head the first retail census, part of the census of distribution of 1929. He was chosen again by the present Administration in 1934 to head the second retail census, part of the census of American business of 1933. He is technical consultant of the third census of business, now under way.

In the first place, this year promises some extra profit from increment in (1) stocks on hand at any time up to about December; (2) leasehold values, with good locations already at a premium; (3) size of average transaction, due to higher prices and the sale of a larger proportion of home wares, the effect of which is to decrease the ratio of expenses to sales.



In the second place, the growth of instalment selling has several marked advantages. Good stores, using it reluctantly in the past, now are offering terms frankly as an additional service to their customers, since FHA has dignified this form of credit. It will result in substantially increased sales of furniture, floorcoverings, household appliances, heating plants and burners, modern kitchens and bathrooms, paint and many building supplies—items of higher than usual unit cost and therefore potentially higher profit.

Another advantage of instalment credit is that it shifts the cost of credit from the store to the consumer. The tremendous growth of instalment credit houses during the 1920s and throughout the depression, in spite of high rates, should have awakened good retailers to the fact that the public needed the convenience of paying out of income It didn't do so, but they are awake to it now. Instead of the former high-hat attitude toward customers asking for deferred payments, stores now often emphasize the size of the weekly or monthly payment as frankly as they do the total price. They recognize the sales stimulant.

But with this difference: Interest rates and carrying charges have been greatly reduced. At most, stores now use the FHA 5 per cent discount plan, which means a charge equal to a 9.7 per cent interest rate. Even automobile financing, notoriously high, now is down to a 6 per cent discount basis. Many leading stores still stick to the old convenience rate of straight interest—one-half per cent per month on the decreasing balance, with no handling charge. A sound and growing basis is one-half per cent a month plus 10 cents per month for handling, including monthly billing of the instalment due. The ten-cent handling charge covers expenses, and the monthly billing increases collections materially.

From the investor's point of view, the growth of instalment accounts on the books of good retailers is no hazard. The depression proved that. You remember the forecasts of dire disaster that would overtake retailers "next depression"? That was before 1929. Well, it just didn't happen. The most valuable business asset in November, 1929, was accounts receivable of well-established retailers. They turned out to be worth 98 cents on the dollar, against depreciation in security values of you know what, in real estate of 40 per cent, in merchandise of 30 to 50 per cent, in fixtures of at least as much. *Most retailers lost more in closed banks than they lost in bad accounts.* There was about 6.5 billion dollars outstanding in 1929, and 98 per cent of it was collected. Instalment sales during 1936 will aggregate about 4 billion dollars, and about that much will be outstanding at the end of the year. The loss on it will be insignificant, not comparable to the cost of overcoming sales resistance to create equal volume by any other means.

Sourcasters predicted that the big downtown stores with elaborate plants never would come back. Today they are as big and as popular as ever. They are spending $500,000,000 this year for modernization. Even the department store chains, such as Sears, Roebuck and Montgomery Ward, are investing more each year in appearance and location. The barns on the outskirts are doomed until the middle of the next depression. The Wild Cats, Great Bears, Foozy Woozys and the wild animal regime in the food field are a depression phenomenon whose day is over for some time to come. They are fine investments not to be in. Choose instead the well-knit local chains with good locations.

Count on it that well-managed department stores are second only to good local chains in desirability. They can be rated ahead of national chains, for the long pull. Next are ownership groups of department stores, such as Allied, Associated, Federated, Mercantile, National, Gimbel, May and many smaller groups. Then come local independents in other lines, such as apparel and hardware, with furniture stores particularly good for the next few years.

The national chains are rated third instead of first because (1) a good local chain can lick them every time; (2) anti-chain tax restrictions are becoming serious; (3) the Patman-Robinson "One-Price" bill is sure to pass, curbing

Courtesy, United Drug

Interior of one unit of the 12-car Rexall train, now on a coast-to-coast tour

What Leading Merchandisers Say of the Future

in Exclusive Statements to
THE MAGAZINE OF WALL STREET

Arthur O. Dietz, President
Commercial Investment Trust, Inc.

"We believe that the present increase in the sales of automobiles, household equipment of various kinds such as furniture, floor coverings and refrigerators, both gas burning and electrically operated, together with increased purchases of radios, washing machines and automatic heating equipment, is not only due to the improvement in business now under way, but, also, we believe it is a reflection of the increased confidence of the buying public in the future."

I. A. Hirschmann, Vice President
Saks, Fifth Avenue Department Store

"There has been a very noticeable and decided improvement in the sale of the better quality of men's and women's outer apparel, and along with this we have noticed that people not only buy the higher priced garments but they buy more of them. To me this is an actual and concrete display of confidence on the part of the men and women customers of our store whom we know to be leaders. Their actions radiate confidence and this confidence in future conditions is mounting."

Byron C. Foy, President
DeSoto Motor Car Co.
Vice President, Chrysler Corp.

"Reports coming to me every day indicate continued confidence on the part of the buying public. Our products are holding their gains and positions in line with our earlier plans and hopes."

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inside deals, unearned advertising and brokerage allowances and price concessions out of line with actual savings by reason of larger quantities.

The chances are that national chains with the possible exception of mail order chains, are now close to or at a peak. I believe that their top managements, among them some of the best executives in the retail field and the highest type of men, hereafter must spend a large part of the effort formerly devoted to building the chains, in combatting external forces not present in competitive situations. The day of the unbridled chain is past. It remains to be seen whether chains, without their great buying edge, have other advantages over independents which can offset the value of individual enterprise and personal contact with customers.

Of the 8100 retail chain systems listed in the new directory issued by the National Association of Real Estate Boards under 35 kinds of business, 1254 are grocery chains of which 1200 are purely local. The fight against chains is aimed primarily at grocery chains, and actually at no more than 50 throughout the country. Yet the laws are being written so broadly that all chains are affected. It is only the big nationals, however, such as grocery chains, variety-store chains, drug chains and such general merchandise chains as Penney, Grant, Sears and Ward, which will feel the One-Price Bill's price-deal restrictions seriously. Such neat arrangements as the Sears-Goodyear tire deal at cost plus 6 per cent, said to have resulted in a $42,000,000 better price to Sears than Goodyear's own dealers had to pay, will be as extinct as railroad rebates if the bill passes.

Relations between retailers and their employees are more cordial and more direct than is usual in large-scale operations. Such flare-ups as the A. & P.'s trouble in Cleveland, James Butler's Stores in New York and the Boston Store's in Milwaukee are no more than the exceptions that prove the rule. The companies were more or less the innocent victims, picked by chance to demonstrate the power of a union that wanted to control the town. Employees, the public and even competitors joined in denouncing the strike and helping to break it.

Retailers are close to the community and close to their employees, as a rule, and unions have found that it is not a good field to organize. In addition, the interests of the retailer and of union labor are quite parallel, in that both gain by industrial activity and high wages. The high command in the A. F. of L. know that they have far more to gain by retaining retailers' goodwill and support than they have in organizing the industry, so the clerks' unions get little encouragement.

Most retailers pay good wages and the trend is upward. Labor Department figures for February, the latest available, show that with retail employment 1 per cent higher than last February, wages are 3.9 per cent higher. The increase would be even greater if variety-store chains were not included. Comparable figures in other fields are:

Feb., 1936 vs. Feb., 1935

	Employment	Payrolls
Retail	+1.0	+3.9
Wholesale	+0.4	+3.1
Hotels	+2.1	+4.7
Brokerage	+22.6	+30.3
Insurance	+1.0	+3.3
Light and Power	+4.7	+8.3
Bus, Street Ry.	+1.0	+8.2

Every so often a new "menace" comes along that is said to threaten the future of retail distribution as we know it. First it was department stores, then mail order, then house-to-house selling, then chains. Right now it is consumer co-operatives that have the shallow thinker upset. You can forget them.

The co-operative idea isn't popular with Americans so long as competing private stores are equally efficient. Moreover, a skilled management in the retail field is vital; and it is doubtful whether the average co-operative will have it. Finally, the possibilities of real savings to the consumer are largely illusory. In the recent plan for a co-operative chain of department stores emanating from Boston, there is nothing which makes for any lower operating expense than in private stores.

The entire co-op movement is claimed to represent last year $365,000,000 of transactions. That is one-tenth of one per cent of retail sales. A Colorado oil company is pointed to as the outstanding example of a co-operative. Its sales of gas last year totalled 1,800,000 gallons. There are at least three oil companies with super-stations in which more than 1,800,000 gallons of gas were sold *in each station*, during the same year.

You can count on your two hands the depression fatalities of large stores and chains. With few exceptions, retail distribution is back to normal. Sales are off about 25 per cent, but expenses have been cut more than that. Retailers made some money last year, and have every intention of making more in 1936.

Naturally, this is a favorable augury for business generally. Increased retail sales steadily gaining in volume and range of goods are stimulating production in a great number of lines. Continued expansion of retail consumption spells acceleration not only in consumers goods industries, but will be felt in sustained activity in heavy goods production as well.

¶ *What Yield Can Today's Investor Expect?*

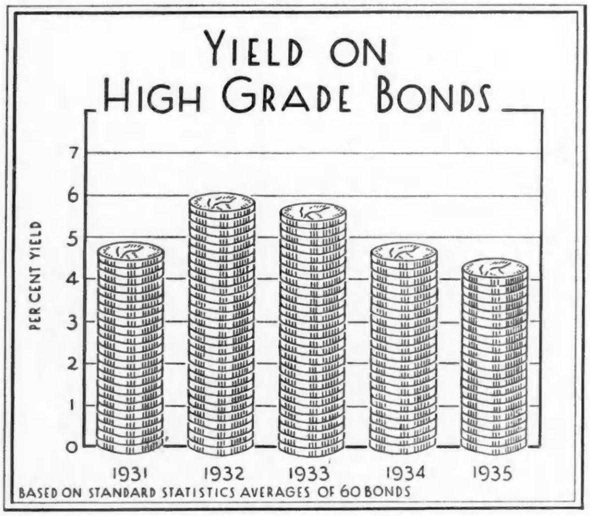
The Highest Return With the Greatest Safety

How to Secure It

By J. C. Clifford

EVERY investor knows that today money earns less than it did. But how many have fully appraised all the factors and know exactly how much less? Undoubtedly, there are individuals who in the past were accustomed to receive, say, 5½ per cent on their capital and today content themselves with 5 per cent, feeling that their status is as it was. Yet, it may well be that the insistence upon 5 per cent now, means the assumption of vastly greater risks than were necessary to 5½ per cent in 1928 and 1929. If, indeed, there be such an extension of risk, can one afford to assume it; what can the prudent investor expect as an average return under present conditions—3 per cent, 4 per cent, 5 per cent, or more?

As is always the case, the question of investment return is largely a matter of individual circumstances. What would be a sufficient margin of safety for one man would be grossly inadequate for another. Health, age, dependents, existence of other assets and sources of other income are all matters having a direct bearing upon investment policy. Obviously no narrowly fixed rules can be laid down. Despite this, however, there are still the general rules which apply today as they did yesterday; there is still a point; a step beyond which means the assumption of a gambler's rather than an investor's status. It is important to note that so far as investment return is concerned, the critical point has been greatly lowered over the past few years by consistently easing money rates.



In the three or four years prior to the depression the yield on United States Government obligations hovered between 3¼ and 3¾ per cent. During the same period strictly high grade corporate bonds returned about 4½ per cent. Today, the return from United States Government Bonds, omitting those that are due or callable within eight years, is down close to the 2½ per cent mark, while that from a selection of high grade corporate issues would be about 1 per cent more than this.

Making the assumption—not to be applied too strictly—that the return from all bonds should have declined similarly, it means that today's 5 per cent return is being derived from securities considerably lower in quality than those that gave 5½ per cent seven or eight years ago. Or, put in the reverse way, it means that he who was receiving 5½ per cent prior to the depression, if he wishes to preserve fully his previous standards of safety, should look askance at anything above 4½ per cent and might well content himself with nearer 4 per cent.

This is a bitter pill to swallow. Indeed, so bitter is it to many who are dependent upon the return from fixed income securities that they are refusing to stomach it. The result is an aggravation of the situation. Generally, it may be said that the gap between the return on good, sound, securities and those that are distinctly mediocre has narrowed to the point where it may be questioned whether the purchasers of the latter class are compensated for the increased risks they are assuming. A sacrifice of a certain amount of quality, of course, is justified—and we, ourselves, have suggested it—so long as the business outlook continues bright. It should, however, be accompanied always by a considerably greater degree of diversification than usual and with a keen watch for changing fundamental conditions. A portfolio of second grade bonds is about the worst thing a man can select with which to enter a prolonged business slump and, although

Common Stocks

Name of Company	Current Price	Dividend	Yield %
Allegheny Steel	35	$1.00	2.9
Amerada	113	2.00	1.8
Am. Brake Shoe & Fdy	50	1.20	2.4
Am. Smelting & Refining	85	†	....
Am. Telephone & Telegraph	165	9.00	5.4
Anaconda	37	†	....
Beech-Nut Packing	88	3.00*	3.4
Briggs Mfg	62	2.00*	3.2
Chesapeake & Ohio	57	2.80	4.9
Chrysler	100	4.00	4.0
Columbian Carbon	120	4.00*	3.3
Commercial Invest. Trust	66	3.00*	4.5
Con. Gas of Baltimore	88	3.60	4.1
Du Pont de Nemours	150	3.60	2.4
General Electric	40	1.00	2.5
General Mills	63	3.00	4.8
General Motors	70	2.00*	2.9
Hercules Powder	102	3.00*	2.9
Inland Steel	112	3.00	2.7
Intenational Harvester	86	1.20	1.4
International Nickel	50	1.00	2.0
International Shoe	51	2.00*	2.0
Owens-Illinois Glass	156	5.00	3.2
Penney, J. C	75	3.00*	4.0
Pennsylvania R. R	34	†	....
Pittsburgh Plate Glass	131	2.00*	1.5
Procter & Gamble	47	1.50	3.2
Sears, Roebuck	68	2.00	3.0
Southern California Edison	27	1.50	5.6
Standard Oil (New Jersey)	66	1.00*	1.5
Sun Oil	85	1.00*	1.2
Timken Roller Bearing	68	2.00*	3.0
Union Carbide & Carbon	85	2.00	2.4
U. S. Gypsum	104	1.00*	1.0
Westinghouse Air Brake	44	1.00	2.3
Westinghouse Electric	120	3.00	2.5
Woolworth, F. W	50	2.40	4.8

† Recently paid a dividend: no regular rate. *Plus extras.

there is nothing like this in sight, the devastating possibilities are something to be taken out and examined every now and then, just so that they are not forgotten.

The present lowness of investment return is not to be circumvented, really. If it's raining, one can go inside the house, pull down the shades, light the lamps, and pretend it isn't. Similarly with securities under present conditions one can hold up return by the sacrifice of quality, but this alters by not one iota the fact that money rates have declined, and declined drastically. The effects are not to be escaped.

One must, however, take into consideration that, although the effects of today's ease in money rates cannot be escaped, it does not necessarily follow that these conditions are to exist indefinitely. In other words, there is some danger that those who appreciate the situation and are completely reconciled to it will placidly content themselves with the prevailing low yields without a thought that ultimately money rates will firm. While this has something of a "damned if you do and damned if you don't" dilemma about it, there is no denying that it is another of those possibilities to be weighed. In the writer's opinion there is little prospect of a *substantial* hardening in money rates over the reasonably distant future; at the same time, there is equally little prospect of further material ease. Thus, should this opinion be borne out by actualities, it means that money rates are currently on a high, long-extending plateau which if it offers the investor in strong, fixed-income securities comparatively slight danger of important loss through a decline in the price of his holdings, also offers him little prospect of capital appreciation in such securities.

Advantages and Disadvantages

It will be seen, then, that the objection to fixed-income securities under present conditions, whether they be bonds or preferred stocks, is that the lower grade ones are rapidly approaching the point where they return less than they should when quality is properly weighed; while in the high-grade issues the prospect of ultimate loss because of an eventual rise in money rates slightly outweighs the prospect of ultimate profit, to say nothing of the fact that the current return from the latter is very small. These factors, taken in conjunction with a rising cost of living make it desirable to turn to a larger proportion of common stocks. This does not mean that bonds are to be abandoned entirely, for bonds have a place in every portfolio regardless of circumstances. It does mean, however, that they must now hold a less important position than formerly. For those to whom the maximum safety of dollar principal is necessary, 80 per cent bonds and 20 per cent stocks might serve; those who have been holding 80 per cent of their funds in bonds might conceivably be wise to reduce the proportion to 60 per cent; and so on, until possibly a mere 30 per cent in such issues might meet requirements. Because sound preferred stocks have so many of the attributes of a bond, such issues will, of course, be considered part of the bond section of the portfolio.

And what return can reasonably be expected from capital so invested in various types of securities? As has been said, this will, of course, vary with individual circumstances. By and large, however, careful selection and diversification should bring a safe enough 4 per cent, and 4½ per cent with reasonable assurance. Five per cent is not of itself hazardous but suggests a need for watching, while anything above 5½ per cent requires serious investigation. It may be all right, but somewhere between 5½ and 6 per cent is now the "critical point" for the return on easily marketable fixed-income securities. There is usually some good reason why any security sells well above the average yield.

What of Common Stocks?

When the individual comes to invest that portion of his funds allotted to common stocks, he may be surprised to discover that the demand for many common issues has already advanced the price to levels where the income return will be less than that which he is deriving from his bonds, but this is the premium he must pay for those advantages which these common equities afford him under today's conditions.

He will also note another peculiarity of current common stock investing: two kinds of "investment issues" confront him. There are those worthy of investment status by virtue of their established dividend record with the assurance of continuance. Then there are those whose present dividends are secure and whose potential payments are attractive for the reason that they are undergoing dynamic expansion and because they possess certain indefinable attractions which are there for all to sense.

For the most part, the first group are made up of com-

panies manufacturing consumers' goods. The public utilities, the packaged foods, the flour millers, the snuff companies, the shoe manufacturers all contain examples of fine, well-run companies whose dividends seem almost as assured as anything can be. By the very nature of the business, however, any sensational jump in earnings is most unlikely; they are expected to go along earning money, maintaining present dividends with possibly a moderate extra from time to time, but that's all.

How different a type these are from the chemicals, the electrical equipments and some of the mining companies which typify the other "investment" group. Here the return is small, sometimes negligible, but the possibilities are obvious—new products, new processes, markets which widen before one's eyes. Under such conditions and with a backward glance at currency tinkerings, a ballooning Federal deficit and the insane gibberings of inflation-minded legislators, such issues deserve the term "investment" as much as anything else in this topsy-turvy day.

Which of these types, or what proportion of his funds to invest in each type, will depend upon the individual's need of present income. Some will be driven automatically to a preponderance of representation in the first; others with sources of additional income will tend more toward the second, foregoing current return for the prospect of more in the future, together with considerable capital appreciation.

Because of the sharp distinction between the two groups and minor distinctions between members of the same group, it is impossible to say what return the individual will succeed in obtaining with reasonable safety. By contenting himself with 3 per cent on his common stock holdings he certainly should be able to place himself in a position to participate fully in the materialization of the business expansion that is anticipated; the more he moves upward from this figure towards 5 per cent and 6 per cent the more static will his portfolio become.

Tables have been prepared to accompany this discussion in the hope that they will prove of value to the individual when he comes to lay out or revise his own program. In addition the bonds, investment preferreds and common stock suggestions, whose function is self-explanatory, there is also a small list of preferred stocks on which dividends have accumulated, but which have made some recent distribution to their stockholders. While these can hardly be assigned a definite part in a general investment program, for some they hold out the prospect of being quite satisfactory commitments.

Fixed Income Securities—Bonds and Preferreds

Strong Issues

Name of Company	Call Price	Current Price	Yield %
American Tobacco Deb. 4s, '51	N. C.	110	3.1
Anaconda Copper SF. Deb. 4½s, '50	105*	104	4.1
Atchison, Top. & Sta. Fe Gen. 4s, '95	N. C.	113	3.5
Erie R. R. Prior Lien 4s, '96	N. C.	105	3.8
Lake Shore & Mich. South. 1st 3½s, '97	N. C.	104	3.3
Los Angeles Gas & El. 1st & Gen. 4s, '70	107½*	105	3.6
Mon. W. Pa. Pub. Ser. 1st & Gen. 4½s, '60	107½*	104	4.2
Morris & Essex 1st Ref. 3½s, 2000	N. C.	94	3.7
New York Edison 1st & Ref. 3¼s, '65	105*	102	3.1
N. Y. & Harlem 1st 3½s, 2000	N. C.	104	3.3
Northern Pacific Gen. 3s, 2047	N. C.	82	3.7
Pennsylvania R. R. Gen. 3¾s, '70	105*	101	3.7
Peoples Gas 1st & Ref. 4s, '81	105*	99	4.1
Pure Oil Deb. 4½s, '50 (ex. w.)	105*	103	4.2
Southern California Edison Ref. 3¾s, '60	107½*	103	3.6
West Shore R. R. 1st 4s, 2361	N. C.	93	4.3
Western Maryland 1st 4s, '52	N. C.	100	4.0
Western Union Tel. Fdg. & R. E. 4½s, '50	N. C.	107	3.9

* Call price gradually decreasing.

Medium Grades

Name of Company	Call Price	Current Price	Yield %
American Power & Light Deb. 6s, 2016	105	97	6.2
Atlas Plywood conv. Deb. 5½s, '43	105	100	5.5
Central Illinois Pub. Ser. 1st 4½s, '67	104*	99	4.6
Central R. R. of N. J. Gen. 5s, '87	N. C.	103	4.8
Certain-Teed Products Deb. 5½s, '48	103¼*	97	5.8
Electric Power & Light Deb. 5s, 2030	106*	85	5.9
Elmira Water, Lt. & R. R. 1st Cons. 5s, '56	N. C.	105	4.6
Florida Power & Light 1st 5s, '54	103½*	93	5.6
General Steel Castings 1st 5½s, '49	105*	88	6.9
International Paper 1st & Ref. 5s, '47	102½	93	5.9
Kansas City Southern 1st 3s, '50	N. C.	83	4.7
Minnesota Power & Light 1st & Ref. 4½s, '78	101¾	100	4.5
Missouri Kansas & Texas 1st 4s, '90	N. C.	88	4.6
National Power & Light Deb. 6s, 2030	106*	90	5.6
N. Y. Chicago & St. Louis Ref. 4½s, '78	102	83	5.5
Northern Indiana Pub. Ser. 1st & Ref. 5s, '66	105*	104	4.7
Republic Steel Gen. 4½s, '61	104*	99	4.6
Southern Pacific, Oregon Lines 1st 4½s, '77	105	97	4.7
Tide Water Power 1st 5s, '79	105*	101	4.9
Walworth 1st 4s, '55	100	77	6.0

* Call price gradually decreasing.

Strong Preferreds

Name of Company	Call Price	Recent Price	Yield %
American Bank Note (3)	N. C.	70	4.3
American Can (7)	N. C.	164	4.3
American Smelting & Ref. 1st (7)	N. C.	147	4.8
American Snuff (6)	N. C.	140	4.3
Consolidated Oil (5)	105	105	4.8
Diamond Match (1.50)	N. C.	40	3.8
Hercules Powder (6)	120 '41	134	4.5
International Harvester (7)	N. C.	160	4.4
North American (3)	55	54	5.6
Pacific Gas & Electric (1.50)	N. C.	31	4.9
Procter & Gamble (5)	N. C.	120	4.2
Public Service of N. J. (6)	N. C.	113	5.3
Reading 2nd (2)	100	38	5.3
Union Pacific (4)	N. C.	95	4.2

Issues on Which There Are Dividend Accumulations

Name of Company		Price
Aluminum Co. of America (6)	Arrears as of 4.1.36 total $15.62½. Last dividend 4.1.36, 37½ cents regular and 50 cents on a/c arrears	118
American Chain (7)	Arrears as of 4.1.36 total $22.75. Last dividend 4.1.36, $1.75 on a/c arrears	124
American Woolen (7)	Arrears as of 1.15.36 total $57.75. Last dividend 3.16.36, $1 on a/c arrears	65
Associated Dry Goods 1st (6)	Arrears as of 3.2.36 total $7.50. Last dividend 3.2.36, $3 on a/c of arrears	109
Crucible Steel (7)	Arrears as of 3.31.36 total $25.50. Last dividend 3.31.36, $1 on a/c of arrears	108
Curtis Publishing (7)	Arrears as of 4.2.36 total $8. Last dividend 4.1.36, $1.75	101
Goodyear Tire & Rubber (7)	Arrears as of 4.1.36 total $9.75. Last dividend 4.1.36, $1 on a/c arrears	97
Spang, Chalfant (6)	Arrears as of 4.1.36 total $14.50. Last dividend 4.1.36, $1.50 on a/c arrears	107
United States Steel (7)	Arrears as of 2.29.36 total $16.25. Last dividend 2.28.36, $0.50	129
Wheeling Steel (6)	Arrears as of 4.1.36 total $24.50. Last dividend 4.1.36, $0.50 on a/c arrears	102
Youngstown Sheet & Tube (5.50)	Arrears as of 4.1.36 total $19.25. Last dividend 4.1.36, $1.37½	110

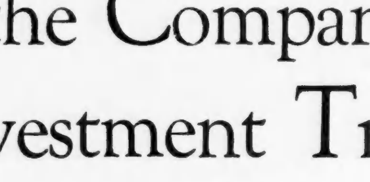
¶ Has an Industrial Concern the Right to Invest the Stockholder's Money in Unrelated Fields?

When the Company Turns Investment Trust

By Ward Gates

A STOCKHOLDER is entitled to invest, speculate or gamble with his own money. Why then do the managements of so many corporations take it upon themselves to do it for him? Win, lose or draw makes no difference; if it is the stockholders' money, unneeded in the business, he should have the spending of it. Suppose you, as an indivdual, placed some money as a silent partner in a toy factory, went to Afghanistan for a year or two, and came back to find that the factory had been turned into a shipyard and that your fellow partners in the toy business were busily engaged in building battleships. Would it not strike you that the activity for which you had advanced money and the manner of its actual use were somehow a little unrelated, providing ground for mild remonstrance?

Nor is this hypothetical case so great an exaggeration of the actualities. Countless corporations have taken their stockholders' money and entered unrelated businesses, either directly or by way of the "investment account." In all instances it is presumed that they have been within their legal rights and in some cases they have even consulted the stockholders beforehand. But does this justify such a course? As a practical matter, everyone knows that the rights and powers of stockholders over the management of to-day's huge corporations are one thing in theory and an entirely different thing in practice and how many adverse votes are there going to be after the chairman has described in glowing terms the possibilities of the new line which the company is about to take up? Mighty few!



Under English law, the Memorandum of Association means something; it holds a company's activities within specified limits and the directors are personally responsible to the stockholders for activities outside these limits. Nor is it possible to obtain a charter stretching from one horizon to the other. But here with forty-eight states rivaling one another for the harvest of incorporation fees, it is possible to obtain the right to engage simultaneously in almost any conceivable activity.

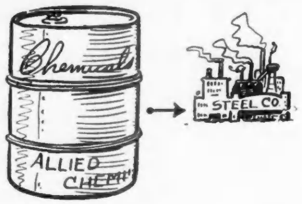
As has been said, it makes no difference how the unrelated activity turned out from the standpoint of profits, this business of investing the stockholder's money for him is objectionable on general principles. Du Pont's investment in General Motors has turned out well, not to say handsomely; Sears, Roebuck's foray into the building of houses turned out a less happy venture. Allied Chemical's holdings of United States Steel common currently show a paper loss; the same company's holdings of Air Reduction show a big paper profit.

There may be some excuse for Allied's buying into Air Reduction on the grounds that it broadened an already wide line of chemicals. But how can the Steel purchase be justified? Here is a company owning 224,000 shares of Steel which cost $19,591,290, or about $88 a share. At the depression low of about $21 a share, Allied stockholders stood to lose not far from $15,000,000. This is equivalent to more than a year's dividend at the rate of $6 a share on Allied's own stock!

For years Allied carried this Steel, Air Reduction and possibly the interests in Virginia-Carolina Chemical and Sloss-Sheffield Steel & Iron which it is now known to hold, at cost, under the heading "investments" or "marketable securities". They were all mixed up with U. S. Government obligations; no one but the management knew what was what, nor how much of it there was. Unlike Du Pont's holding of General Motors, which at least have always been common knowledge, a man buying into Allied on the strength of its chemical activities was never reminded in the annual report that he was getting them heavily flavored with steel.

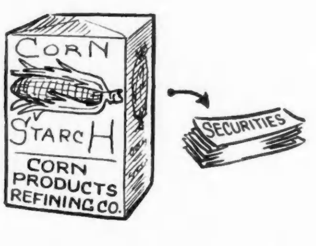
Corn Products Refining is another company which has in part turned investment trust, albeit with the best of motives for its stockholders. The company's balance sheet as of December 31, 1932, revealed that it held "marketable securities" aggregating $26,216,000 and that the market value as of the same date was little better than $13,000,000. At one time, it was rumored that they consisted for the most part of railroad securities. Certainly a far cry from the manufacture of products from corn.

Now, why should a stockholder in Du Pont be thrust willy-nilly into the automobile business; why should one in Allied be forced to take into account the vagaries of the steel industry; and what has processing of corn to do with investment trusts? If the managements of these companies thought that the money invested in these unrelated enterprises were needed as a reserve for future contingencies, then it should have been placed in the only two reserves worthy of the name—cash, or the obligations of the United States Government. It is not too late to remedy the condi-



tion even now; Du Pont could distribute to its own stockholders almost share-for-share its interest in General Motors and, if for any reason it were desirable to continue in control of the stock, it could be distributed in the form of voting-trust certificates. Allied could give its stockholders one-tenth of a share of steel for each share held, while Corn Products could start liquidating its holdings of miscellaneous securities with a bolstering effect upon a cash account faced with the payment of an unearned dividend.

If there is little justification for large corporate investments in unrelated lines, what shall be said of those which operate investment trusts in their own field? Such a one, for example, is the Union Pacific Railroad. The annual report for last year is not available, but at the end of 1934 Union Pacific was holding some 36,000 shares of the common and some 24,000 shares of the preferred of Baltimore & Ohio, 24,000 common shares of Chicago & North Western, 269,000 common and 98,000 preferred of Illinois Central, 200,000 shares of New York Central's common stock, 115,000 shares of Pennsylvania, 58,000 shares of Wabash preferred "A", nearly 18,500 of the St. Paul, and a number of miscellaneous common stocks. In addition to this, nearly $78,000,000 par value of the bonds, notes and equipment trust certificates of non-affiliated companies was held.



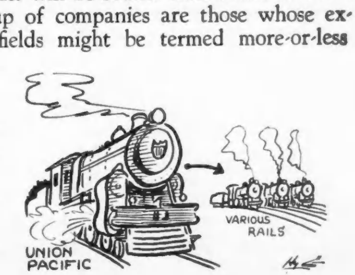
Admitting that some of these holdings are of long standing and that some may well have been acquired with a view to the various railroad consolidation plans that have been proposed from time to time, nevertheless is Union Pacific justified *now* in retaining so much of its stockholders' money in situations, some of which are speculative to say the least. Frankly, we are less certain that the answer is in the negative where a railroad management has confined investments to the railroad field than where the investments are made in an entirely unrelated line. It would do, however, no harm to appraise each individual holding, not from the standpoint of intrinsic worth and without taking into consideration prospects whatever they may be, but solely from the standpoint of whether any element of "control" that there might be in the situation is necessary to Union Pacific. If the latter is non-existent then wherever possible the holdings should be liquidated, whatever is necessary placed in Government bonds and the balance distributed to stockholders.

Perhaps a better example in the railroad field of speculation with the stockholders' money is afforded by Mr. Loree of the Delaware & Hudson Co. Of course, since April, 1930, this company has been solely a holding company and this may make a difference, for custom countenances the taking of "fliers" on the part of this type of corporation. Anyway, back in 1927 Delaware & Hudson was a railroad, the fortunate possessor of certain coal lands. These lands were mortgaged and the bonds sold to the public for a sum which netted the company about $33,000,000. Incidentally, these bonds are quoted currently about 42 cents on the dollar. Utilizing a well-filled treasury, the Delaware & Hudson bought heavily into the Wabash and Lehigh Valley railroads. With great astuteness these were unloaded in 1928 on the Pennsylvania at a profit in the neighborhood of $22,000,000. For a while gilt-edged bonds, governments and municipals, were taken up in a big way. This, too, was smart, for no one did better than the man who bought really high grade bonds in 1928 and 1929. Then, in 1933, Delaware & Hudson, as has been said a holding company, stepped into the market and acquired 495,000 shares of New York Central common at an average price of slightly more than $22 a share. Today's quotation is about $35 a share. However, lest the impression be created by the foregoing highlights that there is a speculative genius behind the affairs of the Delaware & Hudson Co., it might be remarked that at the end of 1934 the company held marketable stocks and bonds which cost almost $50,000,000, but whose market value was only slightly in excess of $34,000,000!

The automobile accessory companies are a group particularly prone to seemingly-curious acquisitions. They turn freely to electric refrigerators, oil burners, household hardware, plumbing, radios, various forgings, castings, stampings and a host of other things. For the most part, such diversification, whether achieved through stock ownership or by the company itself entering the business, is not hard to justify. In the first place, the automobile industry is a fickle mistress, blowing hot one day and cold the next. It is well to have some other line to fall back on. In the second place, the unrelated manufacturing activities of the automobile accessory companies probably are closer to the main business than is at first apparent. A well equipped machine shop is adapted easily to many different lines.

Nor can objection be made when the company's investment has been made for the purpose of exercising part or full control over an important source of raw material. National Lead, a user of much tin, naturally feels happier owning a big block of Patino Mines In the days when Duco was about the one and only automobile finish, Du Pont under this heading would have been justified in acquiring control of Commercial Solvents for the purpose of protecting its supply of butanol. But it never attempted to do so; we have often wondered why. American Tel. & Tel.'s control of Western Electric is justified on the same grounds, although there is less certainty about its forays into the business of producing motion pictures. There are other examples, although the more common method employed by a manufacturer in the protection of a source of raw material is to start producing it himself. Thus, we find steel mills owning ore and coal mines, limestone quarries; rubber manufacturers producing part of their crude rubber requirements; glass companies owning sand and gravel deposits and so on. As a practical matter there is not much difference so far as a stockholder is concerned between his company using its funds to further the ends of the business by way of the "investment account" and the actual acquisition of some new property. Provided the expansion is related to the original business no fault will be found with either method.

An interesting group of companies are those whose expansion into foreign fields might be termed more-or-less involuntary. Such a one is the little Bridgeport Machine Co., makers of oil well equipment, which became an honest-to-goodness oil company when it took over certain leases in payment



(*Please turn to page* 802)

Germany's Economic Decline

Nazi Rule Is Bringing Social and Economic Deterioration — Desperation Dictates Strange Policies

By GEORGE BERKALEW

Foreign Representative of THE MAGAZINE OF WALL STREET

THE approach to Hamburg resembles in brilliance a Long Island shoreline in mid-summer. With comfortable speed, the latest thing in streamlined trains carries you to Berlin on schedule where, as in other German cities, wide, well-kept boulevards are congested with high-powered motors. Traffic is regulated to perfection, cafes are thronged with contented customers, parks are filled with leisurely pedestrians. All very reassuring and familiar—cleaner than Paris—less formal than London—much more like Cleveland, Detroit or Kansas City.

But on closer inspection, involving both urban and rural centers, the picture takes on a different aspect. Beneath the calm exterior of its daily life Germany is a seething ferment which threatens to boil over with disastrous results to herself, her present ruling regime and with repercussions that may be felt not only by her nearby uneasy neighbors, but throughout the world.

One senses impending change in the air, an uneasiness of the population like that of cattle before a thunderstorm. The question is when will the storm break? That Germany would send a half developed army against the Maginot line, with inadequate supplies of cotton, copper and steel, is pure fantasy. That Germany's unilateral revision of the Locarno Treaty should precipitate military intervention by Great Britain is a false alarm. In the first place England has always been apathetic towards the Locarno Treaty—none of her dominions are signatories to the Pact. In the second place, popular British sentiment is properly reluctant to jump in where Frenchmen fear to tread. England may be sitting precariously on a Nazi bomb, but with characteristic composure watches the burning fuse.

Watch the Eastern Horizon

Hence the thunderstorm is not on the Western but on the Eastern horizon. The storm must break somewhere. The primary essential of any movement is that it keep moving. Velocity must increase—there can be no possibility of reduced momentum. Inaction means destruction for dictatorships. Hence, the remilitarization of the Rhineland zone is only one of a series of moves—past and future—which mark the historical evolution of the Nazi Regime. In the past is recorded the gradual absorption of democratic rights instituted by the postwar Republic. Then came the persecution of the Jews, lending the semblance of reality to a mystical appeal for race purity. Followed, the insidious appropriation of private capital by Capone methods, a Roman holiday of bloodshed in the Party purge, a spectacular putsch in Austria, the acquisition of the Saar, and, finally, the conclusion of the Anglo-German Naval Accord. The remilitarization of the Rhineland is merely another grandstand play. There are others to come. The movement must be kept on the move. In the future there is still the political thorn of Memel, the tempting proximity of the Ukraine, the political subjection of Austria and last, but not least, the pressing question of colonies.

Hitler, Vulnerable, Bluffs Successfully

Hitler has undeniably been winning in the diplomatic contest. So far, vulnerable as he is, he has won because he has dared to imply action that his opponents are not willing to risk collectively. There is, first, lack of political unity among Italy, France, Beligum and Britain plus divergence of their respective military objectives in the event of war Second, is the fact that in the event of economic sanctions, the Danube area can not be depended upon because it does not constitute a self-sufficient economic entity, since its agricultural production is not in balance with its industrial production. Any deviation of the natural outflow of agricultural products to the north and south would accentuate this maladjustment and create a series of new economic difficulties. Both Germany and Italy want these products. France can not offer a substitute market because she has an agricultural surplus, and England is committed by the Ottawa agreements to favor Dominion products. Germany

is the logical market for the central European granary, and to preserve this position Hitler has inserted the most-favored nation clause in all his trade treaties with the Danube states. Third, Hitler has tactfully handled the Memel problem; and he has tentatively recognized the maintenance of the Polish corridor, thereby mollifying Poland. This gesture of conciliation, particularly in view of the British antipathy for Russia, gives Hitler a chance of successfully handling Russia. Finally, the adamant stand of France against Hitler's offers has thrown salt into the wounds of German pride—Germany stands with him.

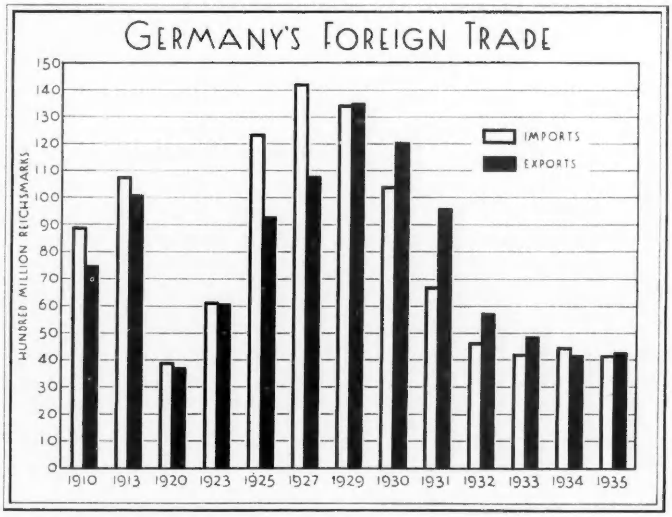
Unsatisfactory Emergency Measures

But the most vital wounds of Germany are financial. The Reichsbureau of Statistics in its March Report computes that between March, 1933, and March, 1935, public debts increased from 24,350 million RM. to 25,060 million RM., but during this period foreign indebtedness was reduced by 1,200 million RM. owing to exchange depreciation so that the real total increase of indebtedness has attained 1,191 million Reichsmarks.

Admitted is the fact that work creation debts and also special Bill debts incurred for rearmaments have not been included in these statistics. These, it is stated, are not "Reich liabilities under formal law."

At a time when optimistic propaganda is of vital importance, the offical report foreshadows no improvement in the status of the reserves. Indeed, it forcibly insists that "a reasonable reduction of the interest liabilities" is requisite and declares that transfer arrangements now in force are "unsatisfactory emergency measures."

The question of devaluation is still bandied about. Mr. Goebbels proposes, Dr. Schacht opposes, Herr Hitler disposes—or can it be taken for granted that he still has the power to decide? With the various categories of foreign exchange marks in circulation, devaluation would give no permanent benefit except perhaps to reduce the over-valuation of the gold mark in terms of other currencies. Certainly, the lifting of foreign exchange restrictions at this time would prove disastrous, resulting in a frenzied flight of capital from Germany for investment abroad.



Rumors have circulated that Dr. Schacht has on several occasions indicated his desire to resign when his plea for closer rapprochement with the leading trading countries was vehemently opposed by Nazi extremists. Dr. Schacht properly predicts the collapse of state finances over armament expenditure, and also feels that perhaps the burden of indebtedness can be reduced only by formal revaluation—which he heartily condemns. Scaling down the value of the mark might tempt a scattering of short-sighted speculators to reinvest in Germany. Underlying conditions such as permanent trade stagnation and the prospects of declining economic activity do not inspire confidence in German credit from the viewpoint of the more conservative investor. If devaluation does come, Dr. Schacht will be left holding the bag, for, in the circumstances, no German Minister would dare to resign on the pretext of disapproval of Government action.

There are many additional elements in the financial policy of the party which meet Dr. Schacht's disapproval. For example, last year, by enforcing subscription to the so-called "solowechsel" or promissory notes, the Government has mercilessly raided the meager resources of insurance companies, private banks and other financial institutions to the tune of two billion, eight hundred million marks. Last year also the funded debt was increased by three billion marks; the short turn debt by four billion marks. On top of Germany's already top-heavy credit structure these figures are staggering. Squeezing process can still secure another five billion marks—that is all—then the racket is over—and the final day of reckoning is expected to occur about the end of 1936. What happens then? The general freezing process begins. Money which can not today be borrowed from private banks will stick like ice cubes in the vaults of the Reichsbank. Government Bonds stuffed in every nook and cranny of commercial and industrial enterprise will have no convertible value. Every one with any capital left will have lost it. State bankruptcy finally will become an accomplished fact and complete national socialism will attain its logical end.

Soldiering on the Job

After 1936 the speed of armament orders must necessarily slow down because of inadequate raw material supplies and depleted working capital. Hence the sustained activity in munition and textile plants which have contributed primarily to the "turn of the crisis" (Reich phraseology) will slump. With this perspective, new trials to find unprofitable employment for the unemployed will tax Nazi ingenuity to the limits of endurance. Literally the future labor problem means more soldiering on the job, and unless this soldiering continues as an unprofitable burden on state resources, war is the only alternative. Coincident with the potential increase of unproductive labor, the mode of living in Germany aspires to Tiergarten standards; silk stockings for cotton, smart cars for bicycles, jazz and cinemas for beer gardens and brass bands. These two conflicting forces lead to only one way out—territorial expansion is tantamount to war.

But the youth has been instilled with the faith in German supremacy, the older generation has fallen in line, without enthusiasm perhaps, but with the conviction that war with possible victory is better than slow starvation and the ignominy of permanent suppression. Hence with a fundamentally impaired morale, 65 million people submit to dictates of a political crew. Their plight should serve as a lesson and a warning to all who look with favor on a dominating and intolerant government.

What the Federal Trade Commission Is Trying to Do

An Important Link Between Government and Business

as told to THEODORE M. KNAPPEN

By CHARLES H. MARCH

Chairman, Federal Trade Commission

"I conceive that a large part of the service a modern democratic government can render to society is to draft the rules of the business game and act as umpire for their application. There was a time when there were no rules for the regulation of those hardy souls who like to hand each other cauliflower ears and flattened noses, but now the only way you can have a physical fight and keep out of jail is to conduct your mutual punishment according to rules."

THE experience of the depression emergency years—involving intimate relations of the Federal Government with the economy of the nation and the intricate and impressive machinery with which private business carries on the greatest task of industrial production and distribution of all time,—has taught us many valuable lessons as to how the political authority and private enterprise may pull together for the national good.

During the emergency there has been necessarily such close co-operation between government and the industrial management that much irritation and discontent were inevitably felt in the business world. One might infer from some of the complaints that it was once the fact, and should be again, that Government and business are clearly separate from each other by rigid boundaries; the fact is that they never were and never can be. In an industrial society there wouldn't be much left of government, or business either, if they did not have anything to do with each other. It has even been said that the Constitution is primarily an economic charter.

Our recent history has attested the wisdom of Congress when it created the Federal Trade Commission nearly twenty-two years ago; it assures that that body will play an increasingly important part in our national affairs. NRA has come and gone but one of its legacies is the realization of the inescapability of interdependence between business and government. Another is the realization that in the Federal Trade Commission we have an agency which is peculiarly adapted by its statutory authority and cumulative experience to deal wisely and understandingly with the common problems of business and government. It may be expected that business will henceforth turn more and more to the Commission for help and guidance. It is not improbable that its possibilities of greater usefulness will be closely examined before other and new agencies for economic contact will be tried.

Matters coming directly before the Commission probably affect the interests of more people than those referred to any other Federal agency. Sometimes a single case directly affects millions of citizens, some affect practically every household. They have to do with nearly everything we eat, drink, wear, or make use of in any way.

I believe it is a fact that the business world has given too little attention and thought to the objectives and utility of the Commission. Few realize that the Commission is far more than the mere fault finder and disciplinarian of the arm-chair critics. President Wilson spoke of the Commission at its inception as a means "of coordinating the enterprises of our traders and manufacturers" and removing "the barriers of misunderstanding and of a too technical interpretation of the law."

We of the Commission have never lost sight of this constructive objective, but I suppose that the investigational function with which Congress charged the Commission has tended to have more news value, as well as being more provocative of enmity and resentment. From now on, I predict, that as a result of what the business world has been through in the last few years we shall have more and more friends and supporters.

Right now there is a marked revival of resort to us for our approval of and co-operation in voluntary codes of trade practice ethics. We hear frequent expressions of surprise that there is such a long-established co-operative, common-sense method of business conduct—but that ignorance can not last much longer. Although some of the work of NRA was assigned to us by executive order, the Commission's trade practice codes were inaugurated long before the depression; they avoid the entanglement of business conduct rules with labor relations. Approximately one hundred and seventy-five of these voluntary business group conferences have been held, forty other groups have made applications

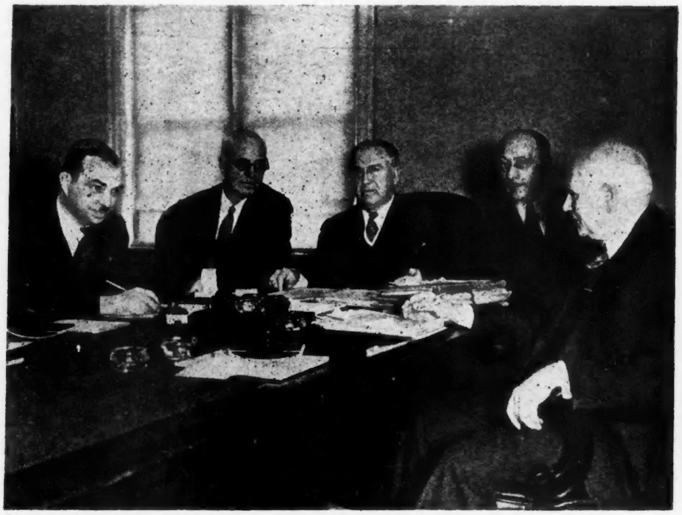
to sponsor such conferences and 200 more are considering taking this step in genuine business-group self-government under the sanction of the governmental body charged with promoting fair methods of competition. The number of these autonomous business codes may yet rival the number of dependent codes that once flourished under NRA.

It is the principal business of the Federal Trade Commission—which is a quasi-judicial body—to make (1) general industrial and commercial investigations, as directed by Congress or the President and (2) to administer the laws relating to unfair business competition—particularly our own organic act and certain sections of the Clayton anti-trust act.

I would not be understood as belittling the benefits from our investigational work, sore as the subject has been at times. Some of the general investigations, of which there have been more than 80, have resulted in major legislation and all of them have been of great value as original sources of economic information—as fact depositories and compilations. But I do want to dwell on what business men would perhaps describe as more constructive work—speaking from the standpoint of their peculiar biases, prejudices and interests. Thinking of that word "constructive," though, I would particularly remind the readers of THE MAGAZINE OF WALL STREET that it was investigations which the Commission made that led to the truth-in-securities law and the act for the regulation of the stock exchanges. Trade, as well as public opinion, I believe, would today adjudge these acts highly constructive in the main. As for the individual investigations of alleged violations of law, they are as necessary as the daily routine of activities of a police force. But like a wise policeman, the Commission avoids litigation and orders as much as possible. It disposes of many cases by "stipulation," it deals promptly with some by its own judicial authority, others go to the courts.

The purpose of the laws and the Commission in the matter of unfair competition is to protect honest competitors or lawful competitors and the consuming public from fraudulent and deceptive practices. Wisely, I think, the law does not define the "unfair methods" it declares unlawful, although certain specific practices are forbidden. Thus, there is room for consideration of the essential truth rather than the technicalities in each case, and continuing opportunity to build up a tradition, or code, of principles of fair competition from facts and real experience.

Although there is an appalling amount of chicanery and deceit in some of the obscure spots of the business structure and some wilful evasion or defiance of law in high places, I am daily gratified to see how fair of intention, just of purpose and scrupulous in practice the overwhelming majority of business men are. We are "for" them, and they are more and more coming to be "for" us.



Wide World Photo

The Federal Trade Commission. Chairman March at head of table

It is a daily occurrence to learn from some business man that he "had got us all wrong". We are not yearning for wider or tyrannical authority over business. We have no wish to administer business—only to serve it by putting navigation signals on its course, and police it against enemies. The amending act now in Congress is merely corrective and constructively amendatory. A lot of confusing criticism has been made of the principal proposed amendment, which is nothing in the world but a simple effort to give the Commission clear authority to punish crooks who have been defrauding the public, and to go after a "lone wolf" who has no competitors in his line and is therefore not literally guilty of unfair competition, even though he be mulching the public a million dollars a minute. I do not think that the public is interested in protecting a pack of knaves (because they are at the moment engaged in shooting only at each other) or the lone operator who has no rivals in his particular fraudulent specialty. In one case, carried to the Supreme Court, a Commission order to "cease and desist" was thrown out, because the Court held that the Government was not interested, as all the parties concerned in this particular bit of crookedness were equally tarred with fraud.

Now, like it or not, in the eyes of the laws we administer, monopoly is a public enemy, and trade practices or plans to effect it are "unfair." According to the statutes, national policy is firmly and thoroughly opposed to monopoly, yet you might think from what you read and hear at times that the Commission is a cantankerous trouble maker for the mere love of persecuting business people, when it proceeds against monopoly. Even the National Industrial Recovery Act did not suspend the anti-trust laws in the depression emergency, as you may have thought. In fact, I discern no present tendency of public opinion or will against the anti-trust laws. Certainly, the small business man, climbing up the first rungs of the ladder which he hopes will make him big some day, does not believe that, because the mammoth in whose shadow he toddles is efficient and economical, it is good public policy to let it have a monopoly of the field. Experience has shown that the cut prices and other inducements by which monopoly is attained do not survive arrival at that goal.

Indeed, I think that the depression was in part due to monopolies or near monopolies which had risen up whilst the public was worshipping at the shrine of greatness, and had become indifferent to the menace of monopoly. In their greed for profits some of these mammoths charged more than the traffic could bear, and they were blind to the obvious fact that as they hoisted prices through the power concentration had given them, they were confronted by consumers rendered jobless and without purchasing power by that very concentration. (*Please turn to page 804*)

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

France—The Franc and Flandin Supported

Financial panic which necessarily follows in France every political development of an unsettling nature, was to be expected after the German move. Simultaneously came an attempt by certain interests in London to stage a bear attack on the franc through short-selling and withdrawal of Paris balances. French officials immediately let it be known that if the currency raid attained serious proportions, drastic steps would be taken to nip in the bud by embargo measures any devaluation projects. Not only did the monetary situation strengthen as a result, but the political effect of the German manoeuver has tended to greatly strengthen the Government's position.

Wide World Photo

Pierre Flandin

French Foreign Minister

General elections remain fixed for April 26 and May 3 and the Chamber will probably complete its mandate with a sentiment prevailing of a somewhat diminished intensity of the economic crisis, and with perceptible lessening of the bitter strife which has existed between extreme right and left factions of the Government. Hence the landslide to the left, which was confidently predicted prior to the recent international tension, is now by no means assured.

Wholesale and retail prices have shown a significant gain and money is coming out of hoarding, partially from fear of devaluation and partially from the hope of a business revival. Nevertheless the rise in prices combined with the overvaluation of the franc, has brought about a further increase in imports over exports—February figures show an import surplus of 807 million francs as against 428 millions in the corresponding month in 1935.

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Belgium—Britain Butters Her Bread

The outstanding role of Belgium in the recent discussions of Locarno's fragility has been that of mediator and martyr. Having abandoned the imposed neutrality violated in 1914, Belgium now finds herself obliged to throw her budget out of balance at frequent intervals in a spurt of desperate armament and fortification. One spurt was debated early in March when the German re-occupation of the Rhineland clinched the issue.

Belgium in the doldrums is infested with politicians painting lurid pictures of a second invasion of her frontiers. Hence despite the heavy burden of government expenses since devaluation, the government with Rooseveltian largesse adds 9 million francs to the annual ordinary budget: 45 million francs to the extraordinary budget for defense purposes. Although the alarm concerning a second German steam roller is undoubtedly a figment of the imagination, Belgium is certainly on the way to be uncomfortably flattened out by a state debt, mounting with every wave of militarism.

The question at London was not whether Belgium was to play her customary role of martyr, that was a foregone conclusion according to Mr. Van Zeeland's precepts, but for whom? For decades France has been Belgium's closest chum—a friendship nursed on Gallic oratory—as well as on a trumped up racial affinity. In recent years the Belgian passion for France has perceptibly cooled—the more stolid Flemish element pointing to repeated commercial and financial slights which ill accord with the friendly speeches and military understanding exchanged between Paris and Brussels.

Thousands of Belgian frontier workers in French factories saw their wages reduced with the new rate of the belga following depreciation. Others were discharged to be replaced by French nationals. Belgian exporters were forced to agree to base merchandise values on former exchange rates thereby forfeiting the benefits which the new monetary policy would have entailed. When the business men of Belgium accused their ally of harsh treatment, the French retaliated by attacking the Belgo-American Trade Agreement which has succeeded in ruining completely the fast declining French automotive market in Belgium.

These unhappy developments precipitated a patched-up Trade Agreement which France made in characteristic French style—impractical in its provisions—exasperating to both parties. Thus, imitating practically every other country in Europe, the "New Deal" Belgian Government is leaning toward England for financial aid and commercial support. When parsimonious bankers in Paris failed to support their little gold bloc brother on the eve of the belga devaluation, London became the mecca of Belgian financiers.

The wisdom of this transfer of affections has been witnessed in recent conversion operations of the Belgian Stabilization Loan of 1926. Incidentally these operations permit the repayment of America's outstanding stake in that Loan —approximately 12 million dollars. With an issue of 4 per cent bonds at 98½ for the amount of £8,600,000, Belgium is a country convinced of one tangible fact. It knows on which side of the Channel its bread is buttered.

Poland—It's an Ill Wind

The popular political attitude of Poland today might be expressed in the old maxim: it's an ill wind which blows nobody any good. The re-emergence of Germany as a Power on the Continent and the sudden re-alignment of treaties and traffics has brought Poland into closer friendship with several of the Allied Powers by re-association.

Outstanding for the commercial and military advance of the country are two treaties concluded in the past two months between Poland and two powers now even more than ever definitely allied against Germany—Russia and Belgium. The Russian-Polish Agreement is nothing more nor less than an elaborate export-import horse deal for 1936. Poland during 1935 fared rather badly in her trade with the Soviets, selling iron, steel and other merchandise worth approximately 11 million zlotys, in return for a miscellany of purchases of tobacco, hides, caviar and other articles valued at nearly 15 million zlotys. This unfavorable balance was irksome. The problem resolved itself into a question of cutting down on Russian caviar or making Russian industry absorb more Upper-Silesian iron and steel. After a long dicker over terms, Russia has promised to take and pay for 4,500,000 zlotys of metallurgical products. Hence Poland anticipates more favorable commercial balances and Russia anticipates needed materials for her heavy industries. Indirectly, United States steel shipments to the Soviets are likely to receive another jolt. This Agreement between the Russians and the Poles—even on a horse-trade basis—is a favorable omen for Franco-Russian conciliation.

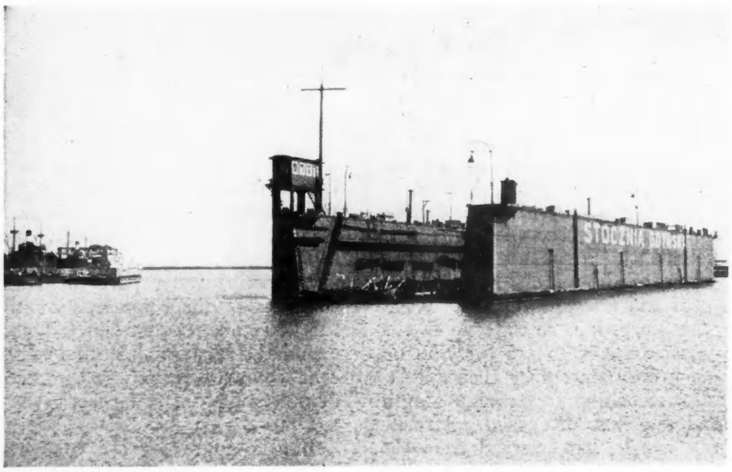
Perhaps equally important and more lasting in its effects is a new Polish-Belgian Treaty signed by the Polish Foreign Minister on a special trip to Brussels during March—worthy of notice even in the midst of such diplomatic devices as the Eden - Flandin-Ribbentrop discussions.

Commercial exchange between Poland and Belgium amount annually to half a billion francs. This figure is likely to be appreciably exceeded during the coming months presumably to the detriment of Germany and possibly of the United States.

By the terms of the Polish-Belgium accord original treaties of 1932, 1933 and 1935 have been abrogated—a modern mode in Treaty tendencies—replaced by a more comprehensive document revising tariff rates between the two countries. The Belgians will find extended markets in Poland for fresh vegetables, supplementing a recently developing export trade to New York in this category of merchandise. Belgium will also have favorable tariff treatment in hides, dressed skins and finished leather articles. Certain other articles more directly conflicting with American exports to Poland are specific items of mechanical equipment and photographic products.

Interesting as a side-light on present European mentality is the singular reference to "arms for hunting." Even if this qualification in the tariff schedule is not to be taken too literally, it can be generously deduced that the need for hunting paraphernalia must have increased in no small way judging from the innumerable diplomatic shooting parties around Warsaw in which various European foreign Ministers have indulged. These parties have always resulted in a big bag, among which possibly may be counted the original drafts of the present Polish treaties. Specifically Belgium has a billion francs invested in Poland distributed among 57 different commercial enterprises—occupies fifth place in Poland's list of creditors.

* * *



Wide World Photo

Modern large drydock in the Port of Gdynia

Italy—Sanctions Sans Gene

For the past fortnight Swiss protests against the League of Nations' Italian sanction policy have passed practically into oblivion. The milder threats of Frenchmen to abandon Mr. Wilson's foundling have also been cast into the shadow by the more sensational infractions of so-called sacred pledges. It was pointed out in these columns a few weeks ago, however, that certain Central European countries were commencing to suffer commercially from sanction restrictions. Notably among these was Czecho-Slovakia where statistics show a fall in Czech trade at a moment when the Crown can least afford slip-ups in sales, even from Italy whose credit is more ethereal than real.

Perhaps the best commentary on the practical workings of the Sanction System in general is afforded by the Italian statement about outstanding obligations. During the year ending March 4, 1936, the total transferred into sterling for payment to Italian creditors in United Kingdom, under the Anglo-Italian Trade and Payments Agreement, amounted to 3,798,620 pounds sterling, with about 1,426,301 pounds sterling still outstanding. Correspondingly Italian creditors of England have been paid 3,873,814, and correspondingly are still owed about 1,280,073. These figures in themselves would indicate that sanctions have failed to create an Italian economic collapse—perhaps of more pertinent significance, sanctions have been rendered ridiculous through the Allied appeal to Italian statesmen to join wholeheartedly in an alumni military reunion of the class of '14.

As a reply to the American silver policy Italy has announced the publication of a decree authorizing the issue of 500 million lire in treasury notes in replacement of the same amount of 5 lire coins in silver. By the end of December, 1937, this replacement is scheduled to have been terminated. If in the transaction Italy trims the edges of its currency, the authorities are already prepared. There

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AMERICAN SMELTING & REFINING

Heading Back to Prosperity

Increased Mining Operations Favored by Trend of Metal Price Hold Promise of Still Better Earnings

By LAURENCE STERN

TO many men a great depression spells unmitigated disaster. To others, possessing unlimited faith in the future and resources to back that faith, depression means opportunity. It was always so with such bold adventurers as James J. Hill, J. Pierpont Morgan and Andrew Carnegie. It was so of shrewd old Meyer Guggenheim, with his keen eyes and flowing whiskers. What is more to the point of this story, it is so today with the second generation of Guggenheims, who are carrying on that saga of world mining history started by their father.

Specifically, the American Smelting & Refining Co., a Guggenheim company and the most diversified enterprise in the field of non-ferrous metals, has emerged from the worst of our modern depressions as a basically stronger company than it ever was before, largely by the simple method of acquiring additional valuable properties at depression prices and putting them under a management which knows how to lose little of permanent value when times are bad and how to make all there is to be made when times are good.

Recently the stock market awoke with a start of surprise to some of the things that have been going on in American Smelting. There was published the 1935 earnings report showing profits of $5.01 per share on its common stock, as compared with only $1.63 per share for 1934. This is the best showing since $10.02 per share was earned in 1929, and it would have been $1.49 more or $6.50 per share, had the company stated the cost of inventories on the same basis as in 1934 and former years.

Now, of course, new properties are by no means the whole story of this remarkable recovery in earning power. Part of it was due to continued prosperous business in gold and silver, both tied up with the Government's monetary policies. Part of it was due to substantial recovery—both in volume and price—in the industrial metals, copper, lead and zinc. Finally, part of it is accounted for by the character of the company's capital set-up in which $22,959,000 in 4 per cent bonds, 500,000 shares of 7 per cent cumulative preferred stock and 184,000 shares of 6 per cent cumulative preferred precede the 1,829,940 shares of outstanding common stock, thus imparting wide "leverage" to the equity.

But in appraising the enterprise as a rounded whole, with especial attention to the profit probabilities of the future, it is worth emphasizing that in recent years American Smelting & Refining has become less and less a refining company and more and more a mining company—to such an extent that a more accurate name for the enterprise today would be the "American Mining and Smelting Co.," engaged chiefly in mining ores for itself and smelting ores for itself and others. Thus, it is estimated that at present approximately half of the company's profits are derived on business originated by its own properties and half from custom and toll smelting. This is a radical change, for in 1924—last year in which the company made public any such official break-down of operating figures—earnings from its own mining operations were less than 20 per cent of the total.

Important acquisitions during the depression years include the following:

In 1930 the company bought a large interest in The Mining Trust, Ltd., which has 75 per cent ownership of Mount Isa Mines, Ltd., owning in Australia the largest lead mine in the world; and in 1932 American Smelting took over technical operation of the Mount Isa and subsidiary properties.

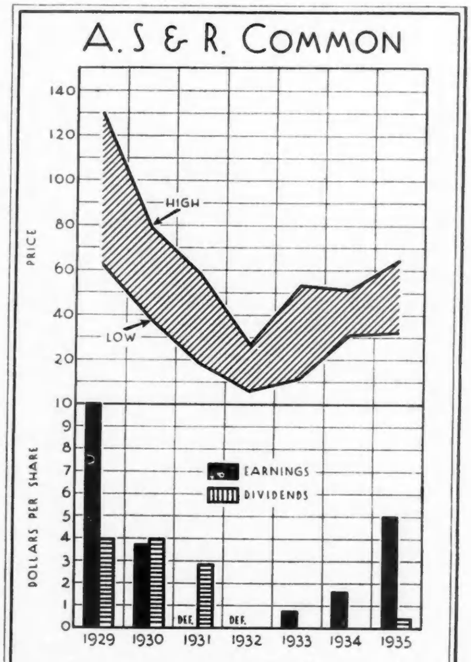
In April, 1931, the company through one of its affiliates, the Premier Gold Mining Co., Ltd., formed Toburn Gold Mines, Ltd., to develop optioned Ontario mining properties at the eastern end of the producing area of Kirkland Lake.

On December 1, 1932, the company bought control of Federated Metals Corp., largest factor in secondary, or "scrap," non-ferrous metals.

Early in 1933 it was announced the company had bought a gold mine in Africa and taken options on two in Australia. In the same year it took a 20-year lease on certain property of the Utah Metal & Tunnel Co.; purchased the Grand Central property of the Chief Consolidated Mining Co., in Utah; and took a long-term lease from Utah Copper Co. on the Boston Consolidated Sulphide property and on adjoining property of the Utah Metal & Tunnel Co., both at Bingham, Utah.

In March, 1934, American Smelting entered into a contract with the Kildun Mining Corp., for development and management of the Kildun property in the Matehuala district of Mexico.

Notable pre-depression acquisitions by the company include a half-interest for fifty years in the valuable Buchans Mine in Newfoundland, producing chiefly lead and zinc, a property which American Smelting also manages; and substantial stock interests in the General Cable Co. and Revere Copper & Brass Co., these two holdings taking American Smelting into the fabricating field.



As now constituted the company owns eight operating mines, one in Peru and seven in Mexico; and leases or owns in part thirteen mines, of which six are in Mexico and one each in Newfoundland, Idaho, Australia, British Columbia, Gold Coast Colony of West Africa, Bolivia and Arizona. In various combinations or individually there are produced from these mines gold, silver, copper, lead, zinc, tin, and platinum; and the company produces also such by-products as arsenic, nickel sulphate, sulphuric acid, copper sulphate, zinc dust, palladium, cadmium, thalium, bismuth and selenium.

In short, there is very little business in the whole broad field of non-ferrous metals and the by-products thereof that lies outside the scope of American Smelting's operations and interests — from the mining of ores to the smelting and refining processes, from the reclamation of used metals in huge volume to the fabrication, through affiliated companies, of finished products. Few in any field are more integrated.

Such is a brief look at American Smelting from the outside. There is another, and more interesting, view from the inside. So herewith let us take the reader, by proxy, to the office of Simon Guggenheim, president of the company, at No. 120 Broadway, New York City. You will see a short, broad, dark-eyed, dark-faced man with a neat mustache, well preserved for his sixty-five years. He will arise from his desk, walk toward the door with outstretched hand and greet you with a warming cordiality.

"Well, Senator," you will begin—he was United States Senator from Colorado, a Republican, from 1907 to 1913 —"Well, Senator," you ask, "how did your company manage to make so much money last year and what do you think of the prospects?"

"First," replies Mr. Guggenheim, "we have a very live-wire mining department and it is our most important branch. People generally overlook its value to us. During the depression it acquired several mining properties at very advantageous prices, and these properties have shown us good returns on the investments made. Off hand, I would say that our live-wire boys in there have accounted for at least 50 per cent of our good showing.

"In addition, we have been able to make our company very highly diversified, and this diversification has been a fine thing for us; but we will cash in on it much more in the future as the business of this country speeds up."

Regarding this "speeding up" of business that Mr. Guggenheim apparently takes for granted, he will go on to express the personal opinion that 1936 will be as good a year for American Smelting as was 1935; that 1937 will probably see marked business expansion, regardless of who occupies the White House, and that we have before us the probability of a business prosperity that will not reach its height before 1938 at the earliest.

He will enthusiastically describe to you the "team work" of his "boys," he will reminisce, in the manner of a born story teller, of his early days and associates in Colorado, and—distinctly off the record—he will talk to you of American and Mexican politics, neither of which appears to give him any serious qualms except as regards the ever painful matter of taxation, which amounted last year to $3.17 per share of American Smelting common or 30 per cent of net income, as compared with 21 per cent in 1926 and only 6 per cent in 1913.

Such, in part, is an inside, and inevitably partial, view—so affably given that you find it hard to buckle down and examine, along with the advantages, such possible disadvantages as may be found on objective inspection to be inherent in the company's position and that of its common stock.

Therefore, be it noted here and now that while the outlook for American Smelting appears promising, the common stock is not a conservative investment in any sense, but a speculation—a good speculation, this analyst believes—but a speculation. The reasons why it is speculative are inherent in the history of erratic price fluctuations in the non-ferrous metals, especially copper, lead and zinc; in the "prince and pauper" swings of consuming demand for the industrial non-ferrous metals; in the past violent ups and downs of the company's earnings; and, finally, in the fact that the common stock as stated above is preceded in claim upon earning power by

$22,959,000 in bonds, 184,000 shares of 6 per cent preferred stock and 500,00 shares of 7 per cent preferred stock, both classes of preferred being cumulative and the large 7 per cent issue being non-callable.

On the other hand, the above *investment* limitations have no bearing whatever upon intelligent speculation in the common stock. The essence of speculation is change; and the greater the possibilities of change in the position of an equity, the greater the opportunities for speculation. The very circumstances that make American Smelting common unsuitable for conservative investment make it attractive for longer-term speculation. The ideal speculative policy, of course, is to hold the equity as long as the price trend of and the demand for the company's products are rising and to dispose of it when, or just before, the price-demand cycle turns downward. The latter decision, much the more difficult of the two, will not have to be faced for some time to come and hence may be dismissed from current analysis, leaving for our consideration the present upward cycle in the company's affairs and the probable projection thereof.

In general, our underlying economic recovery is still incomplete and it is a valid assumption that, subject to temporary interruptions, it will continue for at least several years, ultimately carrying aggregate business activity above all former peaks. This is not a matter of statistical analysis, but merely an assumption supported by all of our past business history and by abundant evidence that innate American business vitality and initiative are unimpaired.

So far as American Smelting is concerned, its industrial metals—especially copper and lead—have lagged behind the general recovery for the reason that their cycles parallel the cycles in capital goods and construction to a large extent. Hence, along with capital goods industries and construction, they have a long way to go in recovery both of demand and price, the latter being much more difficult of forecast than the factor of demand, which inevitably will rise much farther. It is pertinent, therefore, to consider individually and briefly the position of the major metals upon which the company's profits depend.

As President Guggenheim Sees the Company's Future

"You ask me if I see any breakers ahead so far as the interests of the American Smelting & Refining Co. are concerned. I can say frankly I do not. There is no reason why the company should not be able to maintain its present position. Besides, our mining department is constantly on the lookout to acquire new mining properties, which have added so much to the prosperity of the company."

Gold, as far as we can see on the present set of conditions, is unlikely to go higher in price than the present $35 an ounce parity of the dollar; and foreign prices of this metal, despite the fact that American Smelting has foreign production, make no difference, becoming $35 an ounce, or within a few cents thereof, upon conversion into dollars. Hence, over the next several years the company's profits from gold will tend to remain static except to the extent that the volume of the metal produced or handled for others can be increased. Against such possible increased volume at a fixed price is the offset of a continuing rise in operating costs, including taxes. We conclude, therefore, that gold is unlikely to be a dominant element in the company's progress from this point onward.

To what extent gold figures in the present revenues and profits of American Smelting can not be determined from the official operating statistics made public. Reflecting the stimulation of the $35 price, as compared with the former legal parity of $20.67, the 1935 report shows a total of 1,869,299 ounces of gold produced, purchased for treatment or treated on toll for others, a new record high exceeding previous high of 1,760,702 ounces reached in 1930 by approximately 6 per cent. In dollar value the 1935 output, however, was around $65,425,000, as compared with approximately $36,350,000 in 1930 and $30,000,000 in 1929.

The outlook for silver is utterly beyond forecast, being enmeshed in the uncertainties and vagaries of a United States Government silver buying program which has puzzled the world, and still does. American Smelting produced, purchased or treated for others a total of 97,317,373 ounces of this metal last year, a new record high comparing with 89,098,293 ounces in 1929. At the year-end price of 49.75 cents an ounce quoted by Handy & Harman, the year's volume would figure a dollar value of approximately $48,658,000, against approximately $50,000,000 for the smaller volume of 1929. But such figures are misleading because the Treasury "pulled the plug" in the world silver market late in the year and during most of the year the price averaged well above the year-end figure. The important

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The Business Done on Each Share of American Smelting and Refining Common Stock

(Production Figures Include Fall Business)

Year	Gold (Ounces)	Year-end Price	Silver (Ounces)	Year-end Price	Copper (Lbs.)	Year-end Price	Lead (Lbs.)	Year-end Price	Zinc (Lbs.)	Year-end Price	Earned Per Share
1935.....	1.02	$35	53	49.75c*	223	9.025c	401	4.50c	70	4.85c	$5.01
1934.....	.81	35	42	54.75*	173	8.775	360	3.70	64	3.725	1.63
1933.....	.71	34 06	26	44 62*	138	8.025	306	4.15	45	4.35	.77
1932.....	.73	20 67	24	24 37	152	4.775	263	3.00	46	3.125	def.
1931.....	.79	20.67	36	30.25	297	7.025	397	3.75	58	3.138	def.
1930.....	.96	20.67	47	31.12	482	10.275	544	5.10	72	4.125	3.77
1929.....	.80	20.67	48	46.75	677	17.775	596	6.25	60	5.45	10.02
1928.....	.77	20.67	45	57.37	616	16.275	516	6.50	52	6.35	8.24
1927.....	.81	20.67	44	57.50	587	13.787	521	6.50	57	5.65	6.55
1926.....	.89	20.67	47	54	575	13.025	513	7.80	53	6.962	7.79
1925.....	.91	20.67	45	68	550	13.850	498	9.25	49	8.550	6.39

* The price at end of 1933 and 1934 for newly mined domestic silver qualified for delivery to U. S. mints was 64⅛c; and at end of 1935 was 77c.

Plain Facts on the Steel Outlook

Changing Demand Brings New Developments—Operating Rate Indicates Profit Improvement for Most Companies

By Edwin A. Barnes

THE most impressive fact about the steel industry is the most apparent one. Recovery is gaining momentum, and along a broader front. Particularly heartening has been the evidence of the belated revival in the demand for the heavier types of steel. As a harbinger of recovery in the capital goods industries, without which the permanence of business improvement in other lines would be open to serious doubt, the basic importance of this fact is of primary significance. The manufacture of steel is a great industry with vast ramifications and through following its course, it is possible to observe both the causes and effects which accompany the rise and fall in the tides of general business.

Within the structure of the industry, however, are specific trends, factors and problems peculiar to it and their manifestation has been responsible for a conspicuous lack of uniformity not only in the manner in which individual steel companies met the depression but more recently in the degree of earnings recovery. Thus, it is not enough merely for the investor to know that the steel industry is doing better. This is simply the broader perspective and must be reduced to terms of individual companies, for the nature of the steel industry today is such that it would be possible for the industry to do a lot better and yet some companies would be found to be still lingering in the wake of recovery.

Without a doubt one of the most significant developments in the steel industry in recent years has been the marked shift in the demand for the various types of steel. This change has been featured by the predominant demand for the lighter forms of steel such as sheets, strip, wire and tinplate, while such items of former importance as rails, plates and structural shapes have dropped to a relatively minor position. To say that this has been due entirely to the influence of the depression, however, overlooks another important factor. It is true, of course, that the severely restricted purchases of the railroad and construction industries, normally the heaviest customers of rails, plates and structural shapes, were responsible for an acute slump in demand. This in turn enhanced the relative importance of the lighter types of steel, the demand for which offered greater resistance to the depression because it was largely of the direct-consumer type such as automobiles, tin containers, electric refrigerators and their like. But it is highly improbable that the demand for light steel would have reached these significant proportions had it not been for the technological progress made during the past five years in metallurgy and the technique of metal-working. This has been reflected particularly in the development of so-called "alloy steels". The success of these efforts has made it possible to substantially broaden the uses to which steel may be applied. Twenty-five years ago less than a dozen varieties of steel were used in the manufacture of a motor car. Today there are more than four score varieties of steel in the average automobile passenger vehicle.

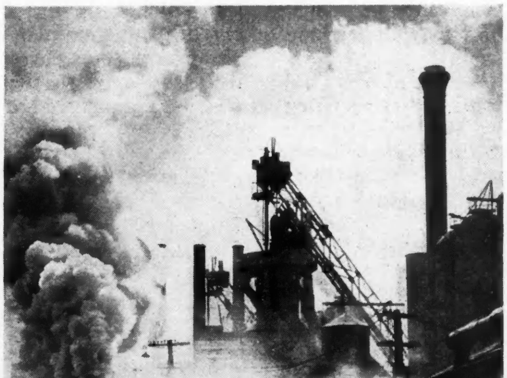


Photo by R. D. Smith, from Nesmith

Technological progress in the steel industry is really something new. For many years the industry clung to old methods and formulas and research activities, if any, were indifferent. Many of the more important innovations and new discoveries in steel manufacture were credited to foreign sources. Now, however, the industry appears to have awak-

ened to the limitless possibilities of technical research. A sizable proportion of the current demand for steel in the lighter classifications is contributed by alloy steels and as these are subject to considerable expansion in the future, it is no longer a safe assumption that the lighter types of steel must remain in a comparatively static position, merely because they are used principally in the manufacture of consumption goods.

Steel Companies Favored by Near Term Outlook

Company	Earnings per Share 1935	Earnings per Share 1934	Dividend	Recent Price
Allegheny Steel	1.50	0.99	1.00	34
Amer. Rolling Mill	2.25(e)	0.49	1.20	30
Bethlehem Steel	4.59(a)	0.59(a)	None	58
Crucible Steel	5.07(a)	0.30(a)	None	38
Inland Steel	6.54	3.10	3.00	111
National Steel	5.16	2.80	1.50	69
Republic Steel	0.49	Nil	None	24
U. S. Steel	0.32(a)	Nil	None	66

(e) Estimated. (a) Preferred shares.

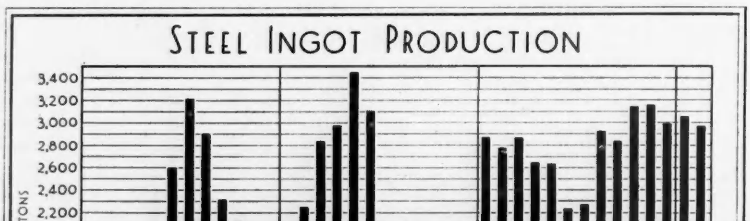
On the basis of reasoning that the demand for heavy steels suffered the most acute decline, this classification, therefore, has the most to gain by a recovery to normal proportions, several recent developments are noteworthy for their probable bearing on this phase of the steel outlook. As already pointed out, the demand for the heavier types of steel emanates principally from the railroad and construction industries, and in the case of the latter chiefly public works, new factories and large office and apartment buildings.

Prospects that a vigorous demand for steel rails, rolling stock, etc., will materialize are governed by railroad operating income. Given an opportunity to emerge from the "bread and butter" existence forced upon many of the carriers in late years, there is little doubt that they will lose no time in replenishing their maintenance and equipment needs. Indeed, not a few roads have practically reached the limit to which they can longer postpone necessary expenditures. While the railroad outlook remains clouded, mostly by factors beyond the control of management, any improvement in general business must inevitably increase freight traffic and, from a railroad's point of view, proper maintenance is more important than dividends.

It has been estimated that since the end of the third quarter last year, railroads have placed orders requiring about 1,300,000 tons of steel, having a value of around $50,000,000. In the first two months of 1936, railroads ordered 12,679 freight cars, as compared with only 514 in the same months of 1935; 37 locomotives against 5 a year ago; and the volume of steel rails and track accessories was three times that of the corresponding period of 1935. The volume of railway equipment buying this year has been larger than in any year since 1930 and is likely to continue so. The importance of any headway in the direction of restoring steel purchases of the railroads to anything approaching normal is suggested by the fact that in the five-year period, 1922-1926 inclusive, railroads took more than 25 per cent of the average total, or 7,680,000 tons annually. While this level is not likely to be an early reality, the upturn now in evidence marks the first definite turn for the better, and as such the favorable implications both economically and from the standpoint of the steel industry specifically may be safely accepted.

In the construction industry for the first two months this year, the largest gain was scored in the non-residential classification. Non-residential building was up 110 per cent, influenced to a considerable extent by public works contracts. Of particular significance, however, was the fact that contracts for industrial plants were double the volume for the first two months of 1935. There has been no let-up in plant rehabilitation and modernization throughout the country and new plans for substantial outlays are announced almost daily. Similar signs are to be observed in the trend of corporate financing. It has been estimated that of the total of new corporate financing in the initial quarter this year—three times greater than a year ago—nearly 25 per cent was for the purpose of raising new capital funds. And finally, the demand for heavier steel this year will be augmented by the repair and replacement of dams and bridges damaged by the recent floods.

It is doubtful, however, that tonnage sales of heavy steel will increase to a point sufficient to alter materially the relative advantage now held by the lighter types. There are ample indications that automobile and truck manufacturers will turn out more units this year than last; the possibilities are good that tin plate production will attain a new high record; sales of electric refrigerators likewise promise to push ahead in record-breaking volume; and farm equipment makers are anticipating a gain of at least 25 per cent in current sales. Last year, steel utilized for these purposes accounted for nearly 46 per cent of all steel production, as compared with 43 per cent in 1934. In 1935, total steel production gained 29 per cent, while the output of light steel increased 37½ per cent, as compared with a gain of only 23 per cent in the production of heavy steel. Even allowing for a generous measure of improvement in the current demand for heavy steel, it is difficult to avoid the conclusion that the industry as a whole will continue to de-



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Oil Strike Favorably Affects Three Companies

United Gas Oil Holdings Lends Attraction to Electric Power and Light and Electric Bond and Share

By MUNROE MARSHALL, JR.

Cushing Photo from Nesmith

THE common shares of United Gas are quoted above 8; Electric Power & Light common is selling at 14; and Electric Bond & Share at 23. These levels represent advances ranging from 51 per cent to 135 per cent from the low point at which these several issues *sold less than three months ago.* Other securities of these companies have likewise scored important gains, not as a result, however, of a broad general or group movement but rather because of a series of late events which promise to have a favorable effect upon the status of these companies. The significance of these developments is more fully comprehended from the perspective supplied by the background of the three companies and their close corporate relationship.

The United Gas Corp. is a comparatively recent addition to the Electric Bond & Share fold, having been organized early in 1930 as a holding company. The company's inception was the result of the decision of Electric Power & Light to broaden materially the scope of its natural gas operations. Immediately United Gas embarked upon an ambitious program of expansion, involving the acquisition of established natural gas companies, which, notwithstanding the fact that general business depression was becoming progressively worse, extended well into 1932. Under the conditions which existed during this period, it was impossible for an unseasoned enterprise of this nature to obtain funds through the public sale of securities and it was only through the financial assistance of the banks and Electric Bond & Share that the company was able to substantially complete its plans. At the end of March, 1932, the company owed $26,000,000 to Electric Bond & Share and had $21,250,000 in bank loans, a heavy burden to carry against the forces of depression.

Had it not been for this timely financial aid, the career of United Gas as a solvent enterprise might well have been short-lived. Gross revenues of the company declined persistently from 1930 through 1933, while operating costs, fixed charges, and taxes remained virtually unchanged. As a consequence net income dropped from about $9,500,000 in 1930 to less than $2,300,000 in 1933. The year 1931 was the last one in which full dividends were paid on the company's first and second preferred stock issues. No dividends have ever been paid on the common stock and as late as 1935 this equity was valued at less than $1 a share in the market.

The relatively brief and inauspicious financial history of the company, however, in no way reflects doubt upon its industrial importance or ultimate future. As a supplier of natural gas, United Gas is easily one of the most important factors. Through subsidiaries, the company operates a comprehensive system of natural gas producing properties, augmented by a network of pipeline and distributing facilities. Large gas reserves and leases are owned in Louisiana and Texas, while the pipe line system includes about 5,000 miles of main line and nearly 1,000 miles of field lines, in addition to more than 3,200 miles of distributing lines. Seven plants for the extraction of natural gasoline from natural gas are operated.

The company serves natural gas at wholesale and retail for both industrial and domestic use in various districts of Louisiana, Texas, Mississippi, Alabama and Florida. The majority of these districts are interconnected in a unified system and embrace some 170 communties to which natural gas is supplied at retail and about 145 which are served on a wholesale basis. Total population of the combined territory is about 2,500,000. *(Please turn to next page)*

Largely through the medium of the United Gas Public Service Corp., a subsidiary, many of the properties originally acquired have been consolidated, intermediate holding companies have been eliminated and the entire corporate structure simplified. Moreover, unfavorable operating conditions have failed to halt the continued amplification of the company's facilities through drilling operations, pipe line extensions, etc. In 1934, capital expenditures exceeded $6,000,000. All in all, the evidence is that the problems and necessary changes incident to the creation of a large integrated natural gas system are now past history and the constructive results in the form of lower operating costs and other savings should find visible reflection in earnings from this point on, as indeed they already have.

In 1934, the company reported gross revenues of $25,363,000, an increase of about $5,000,000 over 1933, and the largest since 1930. In that year operating income increased $2,000,000 and for every $1 of gross about 35 cents was available for fixed charges. Allowance for the latter left net income of $4,538,963 as compared with $2,267,146 in 1933. Aided by the increased consumption of natural gas for industrial purposes, further gains were shown last year. The latest figures available cover the twelve months ended November 30, and reveal an increase of $2,300,000 in gross, and net income of $4,951,861 compared with $4,103,183 in the same months of 1934. Even more favorable is the contrast between the three months ended November 30, 1935, with the corresponding period of the previous year. Net income for the latter period amounted to $454,494, while in 1935 the total was $1,142,026.

It is likewise interesting to observe the effect of this marked turn for the better in earnings upon the company's capitalization. United Gas Corp. itself has no bonds outstanding. Funded debt of subsidiaries, however, aggregates about $19,000,000. In 1934, fixed charges, including interest on subsidiary bonds, as well as on the parent company's bank loans and advances, were covered better than twice, and when the full report for 1935 is available it will doubtless show fixed charges to have been earned about two and a half times.

Parent company capitalization consists of 449,822 shares of $7 first preferred stock, 884,680 shares of $7 second preferred stock and 7,818,959 shares of common. In addition there are outstanding option and stock purchase warrants sufficient to increase the common stock by 4,867,982 shares. All of the second preferred stock, 3,795,086 shares of common and warrants to purchase 3,601,011 shares of common at $33 1-3 are owned by the Electric Power & Light Co.

For the twelve months to November 30, last, the first preferred shares showed earnings equal to $11.01 each, and if allowance is made for the full $7 dividend on the senior preferred, balance for the second preferred would have been equal to $2.04 a share. In the same months of 1934, the first and second preferred shares earned $9.12 and $1.08 a share respectively. Nothing was earned on the second preferred for the three months ended November, 1934, but for the similar period last year, net, after allowing for first preferred dividends, was equal to 40 cents a share.

Capital Structures

United Gas

Funded Debt	$18,901,000
$7 First Preferred	449,822 shs.
$7 Second Preferred	884,680 shs.
Common	7,818,959 shs.

Electric Power & Light

Subsidiary Funded Debt	$218,096,800
Funded Debt	31,000,000
$7 First Preferred	515,135 shs.
$6 First Preferred	255,430 shs.
$7 Second Preferred	83,614 shs.
Common	3,419,489 shs.

Electric Bond & Share

Funded Debt	None
$6 Preferred	1,155,655 shs.
$5 Preferred	300,000 shs
Common	5,267,147 shs

Note. All United Gas second preferred and 3,795,086 shares of common are owned by Electric Power & Light Electric Bond and Share owns 17% Electric Power & Light second preferred and 58% of the common, as well as about 4% of United Gas first preferred and 10% of the common shares.

To fully cover dividends on both classes of preferred would require approximately $9,400,000 annually, or nearly double the indicated net income for last year. Even granted that revenues this year will show further substantial improvement, it is hardly to be thought likely that gains will be sufficient to produce a 100 per cent gain in *net income*. To show 50 cents a share on the outstanding common would require about $13,000,000 in net. Such an accomplishment might be within the realm of possibilities for a company identified with an industry of more dynamic aspects, but while the consumption of natural gas has shown a steady increase and should continue to do so, gains would have to be spectacular in the case of United Gas to show anything available for the common stock this year. Common stock dividends are even more distant.

First there is the matter of floating debt to be considered. Second, some method for discharging the accumulated dividends on the first and second preferred shares must be conceived. Bank loans due July 20, this year amount to $21,250,000 and $25,925,000 is owed to Electric Bond & Share. The bank loans previously have been extended and could doubtless be again extended this year if necessary. Moreover, it is safe to assume, in view of that company's excellent financial position, that Electric Bond & Share is not pressing payment for the amount due them. It is quite conceivable, however, that United Gas is desirous of taking advantage of current low interest rates and market conditions to liquidate both of these items of indebtedness through the medium of a long term bond issue. Such a move would be particularly desirous in the interests of strengthening the company's working capital, which at the end of 1934 showed an excess of nearly $24,000,000 of current liabilities over current assets. This has since been increased by the addition of the bank loan which is now a current liability.

Accumulated dividends on the first preferred shares amounted to $23.37½ a share on April 1, while accumulations on the second preferred total $28 a share. To liquidate these dividends in full would require about $35,000,000. The obstacles which stand in the way of discharging these dividend arrears in cash are only too obvious. The solution to this rather formidable problem would appear to lie in the formulation of some plan of recapitalization which would take into consideration the realities of the company's present position. Such a plan would undoubtedly require concessions on the part of all classes of stockholders but in the long run they might fare much better than they would if the company were to continue indefinitely under the mounting burden of unpaid preferred dividends.

So far the situation with respect to United Gas offers nothing unusual in support of the substantial gains recorded in the market value of its shares or those of the two com-

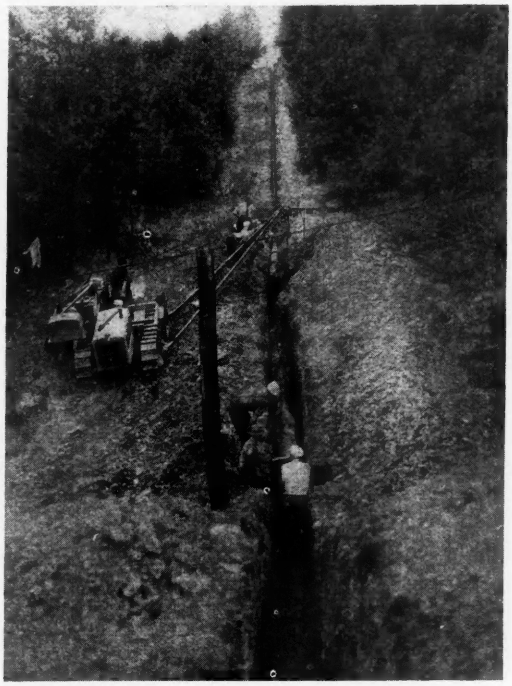
panies heavily interested—Electric Power & Light and Electric Bond & Share. True, the affairs of United Gas appear to be definitely on the mend but hardly to an extent which would justify an increase of more than 100 per cent in the price of the common stock. The missing factor in the equation is supplied by *oil*. Thus, improving earnings plus the discovery of oil equal speculative enthusiasm.

United Gas has an important stake in the new two-state Rodessa Pool, situated in the northwestern part of Louisiana and extending into the adjacent state of Texas. Oil in the Rodessa area was discovered last July and the results of subsequent drilling operations have led competent engineers and geologists to express the belief that the field may rival the famous East Texas field. The potential output of the Rodessa field has been estimated as between 100,000,000 and 150,000,000 barrels and it has been reported that the interest of United Gas amounts to nearly one-third of the total area.

The latest reports are to the effect that United Gas has completed 33 wells in the Rodessa field and present plans call for the drilling of 21 more. It is practically impossible to even estimate the potential value of this property, or the effect upon the earnings of the company. Considerable will depend upon the success of later drilling operations, but on the strength of developments to date the company's interest has been estimated as having a value upwards of $25,000,000. However, efforts to prevent uneconomic production in this new field, with its accompanying threat to the stability of the oil industry as a whole, have thus far restricted output to 400 barrels daily, only a small fraction of possible production.

Unless these restrictions are liberalized, the earnings of United Gas cannot benefit in the near future as much as the value of the oil discovery would indicate. The importance of oil to United Gas, however, may be more immediately effective in another direction. In the event that the early promise of the Rodessa field is subsequently borne out, the improvement in the asset position of the company would facilitate the funding of bank loans and advances, and some plan to take care of accumulated dividends on the preferred shares would probably eventuate.

In the circumstances, investment participation in the situation would be clearly a speculative undertaking. The United Gas first preferred shares, quoted around 104, are the least speculative medium and offer interesting possibilities based on potential income and provision for accumulated dividend arrears. The common stock, of course, is largely a gamble.



Nesmith Photo

Laying natural gas pipe line

Holding all of the second preferred stock of United Gas, and the majority of the common stock, the Electric Power & Light Corp., would be the most important single beneficiary of favorable developments involving United Gas. For this reason the speculative interest recently shown in the securities of the latter company has likewise been manifest in the several classes of stock of Electric Power & Light. In support of any preference for the securities of Electric Power & Light, it is to be admitted that they are several shades less speculative than the shares of United Gas.

About one-third of the consolidated revenues of Electric Power & Light are derived from the sale of gas, chiefly through United Gas, while about half of the company's revenues is provided by electricity sales. Operating subsidiaries furnishing electric power and light service comprise two principal groups and the several territories served are about equally divided between rural and urban consumption. Industrial power accounts for about 40 per cent of the system's output, domestic uses 44 per cent, and the balance is distributed wholesale to municipalities, etc.

The capital structure of Electric Power & Light was ill designed to withstand the adversities of an extended business depression and in 1933 and 1934 net operating income was not sufficient to cover fixed charges in full. In addition to the company's own funded debt of $31,000,000, subsidiary debt amounts to some $218,000,000. The company has outstanding 515,135 shares of $7 and 255,430 shares of $6 first preferred shares, 83,614 shares $7 second preferred stock, and 3,419,489 shares of common. About 17 per cent of the second preferred and 58 per cent of the common is owned by Electric Bond Share.

Like United Gas, Electric Power & Light is faced with the problem of eventually making some provision for accumulating dividends on the several classes of preferred stock, and also like United Gas, the full liquidation of accrued dividends in cash does not seem feasible. A total of $19 in back dividends has accumulated on the $6 preferred; $22.17 on the $7 preferred; and $26.25 on the $7 second preferred, or an aggregate total of about $18,500,000.

Moreover, there is nothing in the company's recent showing to suggest that payments on any class of preferred stock are an imminent possibility. Total annual dividend requirements on the three preferred issues are something less than $6,000,000. For the twelve months ending last November, the company reported an encouraging gain in earnings by contrast with the same period of 1934, but net income of $888,723 was equal to only $1.15 a share on the combined classes of first preferred stock. It would require net income of ten times that figure to fully cover preferred dividends and leave a balance of about 90 cents a share on the common. On the other hand considerable leverage is imparted to the preferred issues, and the common too for that matter, and an increase of 10 per cent, for example, in net operating income would boost earnings on the two senior preferreds to about $5 a share. Such an increase this year would seem quite possible. The common, however, is unlikely to show earnings for some time and dividends which were stopped in 1932 are at best a dim prospect at this time.

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Where Should Liquor Stocks Sell in 1936?

Combination of Factors Have Held Leading Issues Between Six and Nine Times Current Earnings While Other Stocks Sell at Twenty to Thirty Times

By L. L. Sanderson

MANY seasoned and popular industrial stocks are now quoted at prices twenty to thirty times 1935 earnings per share. The two leading liquor stocks, however, are priced at only six to nine times earnings. Specifically, National Distillers at 31⅝ sells at about nine times last year's profit of $3.44 per share; Schenley at 45½ is quoted at six times the 1935 profit of $7.65 per share.

Such price-earnings ratios appear far out of line with the general advance of the stock market during the past year—so far out of line that they provoke widespread curiosity and conjecture as to why the liquor issues sell so low in relation to earnings.

There are many reasons why a liquor stock must command a relatively low valuation as compared with a prime industrial, but such generalization does not answer the question of precisely *how* low such valuation should be; nor does it answer the question whether present valuations are *too* low.

Since numerous considerations, favorable and unfavorable, are involved, let us for convenience of reasoning cite briefly the pros and cons, taking first the unfavorable factors.

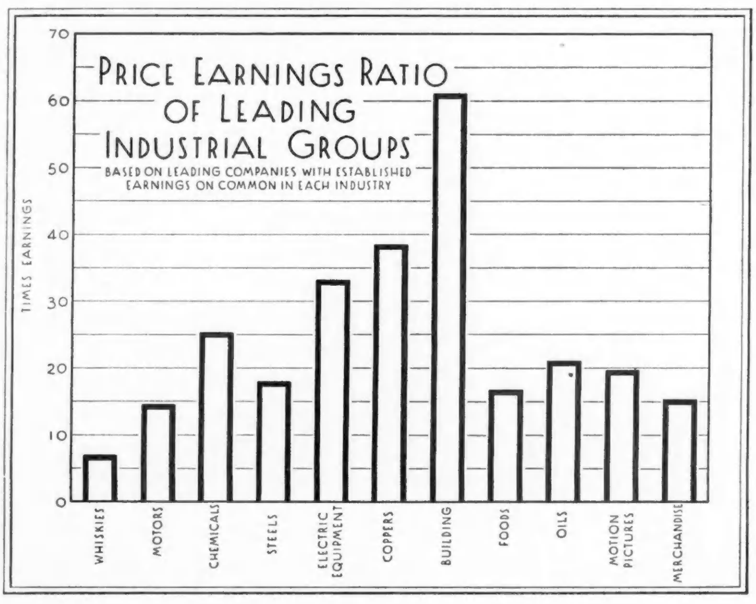
1. The liquor industry is and always will be affected with a public interest, being somewhat similar to railroads and public utilities in this respect. It is subject to a multiplicity of regulations, national and local; and such control two years after repeal of Prohibition is still in a state of flux, by no means stabilized. Again, liquor, as a luxury product, is subject not only to high current taxation, but is vulnerable to still higher possible imposts. Like gasoline and amusement tickets, it is a conspicuous tax target, as witness the effort of the Governor of New York to increase the New York State tax by 20 per cent to finance the State's Social Security program. Then, too, liquor is subject to a continuing "social reform" agitation, organized and unorganized; and this temperance movement is reflected throughout the mechanics of regulation whether by the Federal Government, the states or the municipalities.

2. The liquor industry as now constituted is in reality a new industry, born with Repeal; and is therefore unseasoned. Repeal of Prohibition ushered in a veritable "gold rush" of entrepreneurs seeking fabulous profits. Scores of distilleries long idle leaped into production and various companies started building new ones. Thousands of individuals rushed to take out licenses for wholesaling or retailing. The casualties have been enormous, especially among wholesalers and retailers. This weeding out of the

"weak sisters"—which inevitably threw large aggregate stocks of distress liquors on the market—has now gone a long way, but cannot be regarded as complete. Again, there exists a distilling capacity well in excess of probable consumption requirements. This is a factor which, along with various others, makes it difficult, if not impossible, to forecast what the future earnings of the stronger liquor manufacturers will be. It is open to doubt that true earning power, in a continuing sense, has yet been established.

3. Under present conditions a very substantial proportion of current profits, together with funds raised from either stock financing or bank loans, must be used as working capital to carry ageing and rapidly increased stocks of warehoused liquor—a circumstance which tends to retard or restrict dividend distributions. During 1935 stocks of distilled spirits in bond increased from the 1934 year-end figure of 98,000,000 gallons to 215,000,000 gallons. As of March 1, the latter total had increased to 242,830,000 gallons. Against this ageing supply, consumption in 1935 was estimated at 69,000,000 gallons or a gain of about 56 per cent over the 44,000,000 gallons consumed in 1934. In other words, distilled spirits throughout 1935 and up to the present time have been produced at a yearly rate fully two and one-half times the present annual rate of consumption. Now, of course, the building up of adequate stocks of aged liquor is a prudent policy, looking to the future; but there is room for debate as to just what constitutes an "adequate" supply.

Present stocks are only moderately under the pre-Prohibition estimated average. Even should consumption this year—reflecting rising public purchasing power—reach 100,000,000 gallons, which is open to doubt, this would be a per capita consumption of only approximately .78 of a gallon, as compared with per capita consumption of 1.70 gallons during the period 1910-1915 or less than half the pre-Prohibition consuming rate. In the liquor trade it is estimated that 30 per cent of the market is being supplied by bootleggers, against 40 per cent a year ago, the improvement reflecting better Treasury enforcement, lower prices for legal liquor and an increased purchasing power which enables more consumers to turn from bootleg to legal liquor.



But if one assumes that the 30 per cent estimate of bootleg liquor is approximately correct, total consumption of liquor would still be far under the pre-Prohibition per capita average. A considerable part of this deficiency undoubtedly can be accounted for by continuing sub-normal employment and national income. Nevertheless, despite the cyclical ups and downs in liquor consumption that roughly parallel the general business cycle, there are some apparent indications that the *long term* trend of hard liquor consumption per capita is downward, reflecting both regulation of conditions of sale and an underlying temperance trend. It is interesting to note that in Great Britain per capita consumption of spirits has trended downward for many years, each recovery falling below previous peaks, with the result that since 1913 per capita drinking of hard liquors has been cut approximately in half. It may be assumed that to some extent a similar trend is operative in the United States, though accurate comparison is obscured by bootlegging and by the great gap in the consumption statistics that resulted from our years of national Prohibition.

In any event, the position of the industry will not be stabilized until it reaches a point at which the current production going into storage roughly approximates the current sales. When that point is reached—possibly by next autumn—working capital, already improved substantially by most companies, will be less of a problem and it should be possible for a considerably larger share of current profits to be distributed in dividends. That is not possible as long as current production runs to double current consumption.

4. The underlying trend of liquor prices appears to be downward and probably will continue so for the next year or two as aged stocks become adequate. In some measure lower prices will stimulate consumption, but whether such increased volume will be sufficient to maintain or enlarge current earnings must remain a matter of opinion in the absence of proof. During the past year profits for most companies ran behind gains in volume, reversing the usual industrial experience. Thus, Schenley dollar sales increased about 55 per cent over 1934 but profits increased only 15 per cent. The National Distillers' volume of $52,596,000 was a gain of only approximately $2,500,000 over 1934 and earnings fell from $5.51 in 1934 to $3.44 last year, both sales and profits being affected by the fact that in 1934 this company, having the largest stocks of pre-Prohibition whiskies, did a "windfall" business in such whiskies. For the six months ended January 31 Distillers Corp.-Seagram showed a large decline in earnings.

5. Conditions in the industry will remain intensely competitive, involving heavy advertising expenditures in the effort to build up or maintain brand and institutional preferences, much as is characteristic of the cigarette industry. Particularly where emphasis is placed on brand promotions, there is the speculative risk of public favor shifting rather suddenly to one or another brand at the expense of others.

6. Just as the industry itself is unseasoned and not yet

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INTERNATIONAL NICKEL CO. OF CANADA, LTD.

What's Back of Nickel's Popularity

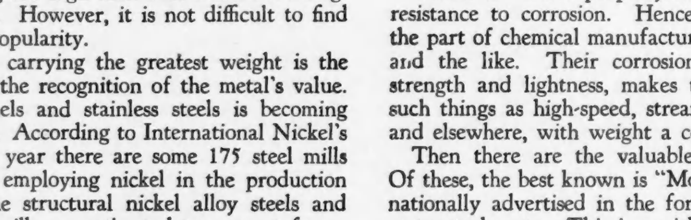
Selling at Thirty Times Earnings and Returning Only 2 Per Cent, the Stock Is Still a Sought After Holding

By PHILLIP DOBBS

AT $50 a share, with earnings last year equivalent to $1.65 a share, paying dividends at the rate of $1 annually to yield 2 per cent, it is easier to show that the common stock of the International Nickel Co. of Canada, Ltd., is selling too high than that it is an unrecognized security bargain. However, it is not difficult to find excuses for Nickel's popularity.

Probably the factor carrying the greatest weight is the remarkable growth in the recognition of the metal's value. The use of nickel steels and stainless steels is becoming more widespread daily. According to International Nickel's annual report for last year there are some 175 steel mills throughout the world employing nickel in the production of one or more of the structural nickel alloy steels and stainless steels. Steel mills are estimated to account for as much as 50 per cent of the total consumption.

Add a little nickel to steel—even less than 1 per cent—and toughness and strength are greatly increased. Add more nickel, together with chromium, and one has entered the field of stainless steels. The automobile is a great consumer of nickel steels. They are to be found in valves, pinions, crankshafts and a dozen other places. Thin-walled nickel steel pistons present a serious threat to aluminum alloy pistons, for they can be made almost as light as the latter and have other advantages. Ford has been a pioneer in this field, although it is rumored that they will be a feature of next year's Chevrolet. In foundry practice there is an increasing tendency towards nickel steel and nickel iron castings. Ford's success with a cast nickel steel crankshaft indicates the possibilities.



The most valued property of the stainless steels is their resistance to corrosion. Hence the demand for them on the part of chemical manufacturers, processors of foodstuffs and the like. Their corrosion resistance, together with strength and lightness, makes them an ideal material for such things as high-speed, stream-lined trains, truck bodies and elsewhere, with weight a consideration.

Then there are the valuable non-ferrous nickel alloys. Of these, the best known is "Monel Metal" which has been nationally advertised in the form of household sinks, hot-water tanks, etc. This is a nickel copper alloy, about two parts nickel to one of copper, an especially desirable combination from the point of view of the International Nickel Co., for it is the fortunate possessor of a mine which has ore of just about these proportions and the Monel Metal can be made directly, as it were.

While the greater demand for nickel is in the form of ferrous and non-ferrous alloys, of which there are literally thousands of applications, almost all expanding, nickel is valuable also in the pure state. It is used for coinage, by the electrical industry, by the chemical industry as a catalyst and elsewhere, and by the food industry where

all danger of contamination necessarily must be avoided.

And more than 90 per cent of the world's production of this remarkable metal, nickel, is controlled by the International Nickel Co. of Canada, Ltd. A world monopoly in a raw material that is essential in peace or war, for who can conceive of armaments or munitions into which nickel does not enter.

Yet, if International Nickel rests mainly on the metal from which it takes its name, it must be remembered also that the company leans heavily on other metals. Last year, for example, it sold more than 233,000,000 pounds of copper, or not far from twice the 130,000,000 pounds of nickel which were sold in all forms, including nickel in alloys. It is not easy to gauge the relative importance of the two metals. Nickel in the form of electro cathodes commands—and has commanded without variation the same price for an indefinite period—35 cents a pound. Last year's copper was sold at an average in the neighborhood of 9 cents a pound. It would, however, be erroneous to conclude from this that the revenue derived from copper was about half as large as that produced by nickel. This is because the company undoubtedly obtains for its Monel Metal and other alloys more than the strict price of the metal content. Moreover, it must be remembered that International Nickel is not solely a producer of metal in crude form, but is also a fabricator, turning out Monel Metal and other alloys in the form of sheets, bars and tubes.

International Nickel Photo

Converters in Copper Cliff Smelter

Supplementing the revenues derived from nickel and copper are those received from the sale of precious metals. Last year International Nickel sold some 70,000 ounces of gold; at $35 an ounce this meant $2,450,000. Silver sales aggregated 3,160,000 ounces, worth at, say, 50 cents, more than $1,500,000. Nearly 130,000 ounces of the platinum metals were sold. The price of platinum last year averaged about $36 an ounce and palladium about $24, so that the platinum metals brought in possibly as much as $4,000,000 more. All in all, the company received in the neighborhood of $8,000,000 for its production of precious metals.

Physically, the International Nickel Co. of Canada, Ltd., is a formidable concern. There are first of all the mines, which are located in the Sudbury district of Ontario. There are a number of these mines, although only two, the Creighton and the Frood, are being operated at the present time. However, others are equipped and ready to produce should the need arise.

The ore is concentrated and passed through one of the two smelters at Copper Cliff and after treatment emerges in the form of blister copper and bessemer matte. The copper then passes to the Ontario Copper Refinery, which was once a partly owned affiliate but which became wholly owned with the purchase of the last 10 per cent minority interest last year. Having refined the copper, salvaged various by-products, this phase of the operations need not be carried further.

The bessemer matte moves down to Port Colborne, on Lake Erie about twenty miles west of Buffalo. Here it is re-smelted and refined by electrolysis into pure nickel. The precious metals are found in the residue remaining after the process has been completed. This residue is concentrated and shipped over to the precious metal refinery at Acton, in England.

At Port Colborne the first step in the process is the formation of copper and nickel sulphides. Part of the nickel sulphide is removed as such and shipped to the Clydach refinery in Wales. Here, nickel is produced by a different process and the precious metal concentrates shipped on to Acton.

In this hemisphere, fabricating operations are carried on either in the Huntington Works in West Virgnia or at the Bayonne Works in New Jersey. Last year the Huntington plant shipped more than 23,000,000 pounds of rolled nickel, Monel Metal, Inconel and other nickel alloys. The New Jersey plant is a foundry. In the British Isles, three plants are operated—the Wiggin Works, the Zenith Works and Birmingham Electric Furnaces, Ltd. In one or other of these plants nickel is changed physically and chemically to saleable form. International Nickel operates also a colliery in Wales, whose output last year was 145,000 tons of anthracite.

The size and extent of International Nickel's physical facilities are reflected in the company's financial statements. The balance sheet as of the end of last year shows a property account of $147,000,000, after depreciation and depletion. Current assets totalled more than $60,000,000, of which some $33,000,000 was in the form of cash or government securities. Current liabilities were less than $10,000,000.

The capitalization of the enterprise consists solely of common and preferred stock. Of the common, 14,584,025 shares of no par value have been issued. The preferred is of $100 par value and $5 par value, the latter being exchangeable for $100 par value at the rate of 20-for-one. With the exchange completed, there will be 276,278 shares of 7 per cent preferred of $100 par value. The last of the British subsidiary debenture stock was retired last year. It had been rumored that further simplification of the capital structure would be effected through the retirement of the preferred, which is redeemable at 120 per cent of par value. At the annual meeting which was held the other day, however, Robert C. Stanley, the company's president, stated that the management did not plan to redeem or convert the preferred stock at this time. He also said in effect that a healthy cash account was necessary in view of the increased business and the expansion of facilities which was being undertaken.

(Please turn to page 801)

Signs of Business

BUSINESS is going forward. Political obstacles and uncertainties are no longer the deterrents to progress. In spite of them both commerce and industry give evidence of making recovery a reality rather than a hoped for prospect. If we have not yet returned to what we fondly call normal, there is decided evidence of progress in that direction.

It is apparent in corporate earnings reports, which despite increased tax burdens and other restrictions are in general remarkably good. There is an unmistakable determination toward development of new products, new facilities of production, and expansion toward new markets.

Unemployment still bulks large, nevertheless public purchasing power is expanding and consumer buying is on a broader scale. Easter trade is the largest in several years.

Replacement and rebuilding occasioned by widespread flood damage will be a source of added activity in coming weeks.

We are in the midst of one of the great cyclical upswings which periodically carry the country to new heights.

Below is some of the evidence. More will appear on these pages as it develops.

Earnings Gain

Last year, the ***Aluminum Corp. of America*** earned $9,571,206 after taxes and all charges. This was equivalent to $6.55 a share on 1,460,373 shares of 6% cumulative preferred stock on which back dividends stood at $15 a share at the end of the year. Whether 1935's few cents a share on 1,472,625 shares of *common* stock justify a price near the $150-mark is questionable, but certainly last year's showing is better than the $4.41 a share shown on the preferred for 1934.

Official estimates put ***Standard Oil of Indiana's*** earnings for last year at $1.98 a share of common stock, compared with $1.25 a share for 1934. However, had the 1935 showing been computed on the same basis as 1934, it would have been only 38 cents better instead of the 73 actually shown. Reason: difference in accounting practice, including reductions in some depreciation rates.

Sales and profits of ***American Tobacco*** for the first three months of this year higher than for the corresponding previous period says vice-president. Also, says, however, that increase in Lucky Strike sales had not kept pace with the 13% increase for cigarettes as a whole.

Gimbel Bros. almost covered the dividend applicable to its 7% cumulative preferred stock in the year ended January 31, last, reporting a profit equivalent to $6.32 a share on this stock. In the previous year $2.15 a share on the preferred was shown.

Pepperell Manufacturing Co. so far this year is making favorable comparison with last, says vice-president on the point of sailing abroad.

For the six months to the end of February, ***Wesson Oil & Snowdrift*** reported a profit equivalent to $1.63 a share on its common stock. This was somewhat better than the $1.56 shown for the corresponding previous period.

Cannon Mills showed the equivalent of $3.31 a share of common stock for last year, against $2.60 for 1934.

The Outlet Co.'s profits for the year to January 31, last, were equivalent to $4.32 a share on the common. This compared with $3.88 for the corresponding previous period. Improvement celebrated with an extra of 25 cents in addition to the regular quarterly 50 cents; three months ago the same thing was done.

Humble Oil & Refining earned almost $24,000,000 last year, compared with not quite $22,000,000 in 1934.

A "satisfactory showing during 1936 and a continuation of the showing of last year in the profit margin" said the President of ***Johns-Manville*** on March 27. The company in 1935 earned the equivalent of $2.19 a share on the common, compared with 30 cents for 1934. However, mention was made of a bad price situation in one of the company's major lines and the opinion was expressed that there would be a sharpening of competition in building materials as construction made further gains.

Dividends—Increases, resumptions, extras

Melville Shoe's last declaration of a quarterly dividend was $87\frac{1}{2}$ cents a share, compared with the 75 cents paid in the two previous quarters. The company has been doing very well, earnings last year being more than $5 a share. It plans to replace the existing 6% first preferred with a new $4\frac{1}{2}$% preferred and the latter has been registered with S E C.

Good times must be continuing for ***Mid-Continent Petroleum,*** whose earnings last year at $1.31 a share were the highest since 1929; the company has made its latest quarterly dividend 40 cents instead of 25 cents.

Atlas Tack, whose remarkable gyrations in the latter part of 1933 were the subject of much official inquiry, has taken the first step in the attainment of investment status by the declaration of a 25 cent dividend. Stockholders have had a long wait, for this is to be the first distribution since November, 1920.

The 7% prior preference stock of ***Virginia-Carolina Chemical*** has

Progress

been called for redemption June 1 at $110 a share. What is remarkable, however, in these days of schemes to liquidate accumulated preferred dividends in any way but by paying them off in cash, the company intends to pay at the same time $23.50 additional on account of arrears. This will make a payment of $133.50 a share in all.

American Brake Shoe's dividend is now 30 cents quarterly instead of 25 cents. Earnings: $1.70 a share last year.

With arrears on the preferred cleared away three months ago, ***Holly Sugar*** initiates dividends on the common with a declaration of 25 cents a share.

Eaton Manufacturing, well-known manufacturer of valves and tappets which has expanded its line to include parts for aviation and diesel engines, has doubled the regular dividend on its common stock and the issue is now on a $2 annual basis instead of the former dollar with extras that totalled 50 cents in 1935.

Sales Volume Increasing

National Cash Register's sales for March were more than 11% ahead of the previous March, while the first three months of this year were 28½% better than the first quarter of 1935.

Sales of ***Borg-Warner's*** Norge refrigerator division were 81% better in the first quarter of 1936 than in the corresponding previous period.

Sears, Roebuck's sales for the four weeks ended March 26 were 17.1% better than in the corresponding previous period, while those for the eight weeks ending on the same date were 14.1% better.

The ***Bell System*** gained 201,000 stations in the first quarter, compared with a gain of 112,000 in the first three months of 1935. ***New York Telephone,*** largest unit of the System, gained 22,054 stations in the first quarter, against only 2,463 in the corresponding period a year ago.

Chrysler shipped abroad nearly 18% more cars this February than in February, 1935, the first two months of 1936 being about 7½% better than 1935.

And talking of automobiles, ***Studebaker*** shipped 21,229 cars during the first quarter, or more than 50% more than in the first quarter of 1935. ***Nash's*** shipments this month should not be far below 8,000 units, about 2,000 better than March. ***Hudson*** sold 4,373 cars in the fortnight ended March 28, best for the period in years.

Pratt & Whitney, United Aircraft subsidiary, has just been given a War Department order for 200 motors to cost about $9,000 each.

Safeway Stores' sales for the four weeks to March 21 were nearly 20% better than in the corresponding previous period, the percentage gain for twelve weeks to the same date being about the same.

Expanding Operations

Columbia Gas & Elctric has purchased pipe and let contracts for the construction of a pipe line which will bring Texas natural gas into the City of Detroit.

McKesson & Robbins, whose liquor sales last year were in excess of $20,000,000, has contracted for the purchase of the principal assets of the Hunter Baltimore Rye Distillery.

General American Transportation plans to issue additional stock, the proceeds from which will be used to acquire the assets of the ***Pressed Steel Car Co.,*** under a plan of reorganization.

Belding Heminway has entered into a contract to purchase Bedford Deaving Corp. of Bedford, Va.

Keeshin Transcontinental Freight Lines, the largest truckers in the country, have applied to the I. C. C. for authority to purchase additional lines in the East. The company was also successful in contracting for the pick up and delivery business of Baltimore & Ohio.

Zenith Radio has signed a lease giving it an additional 100,000 square feet of floor space. The company expects shortly to build its own plant and the plans being considered are for even more space than the total now being used.

The whole tendency of recent years in this country has been the abandonment of railroad trackage, so it attracts attention when the process is reversed. ***Atchison, Topeka & Santa Fe*** will shortly start construction on 111 miles of main track between Boise City, Okla., and Las Animas, Colo. Cost: about $3,750,000.

Exploiting New Products

Remarkable things have been done with glass over the past few years. The latest is a new non-shatterable glass that will bend but not break. It is the result of long research on the part of ***Union Carbide & Carbon*** and ***Pittsburgh Plate Glass*** and a large demand from automobile and other industries is expected. This follows on the heels of polarized glass which can be made to produce strange light effects, glass textiles, glass wool, glass building block, glass tile, and glass which permits only certain rays to pass.

Atlantic Refining's new "alloy" oil, which is a combination of ordinary oil and a small proportion of non-chlorinated ester of phosphoric acid, is reported going great guns. The new oil is said to be three times as strong as pure petroleum and is capable of withstanding tremendous bearing pressures.

Traveling Exhibits

The idea of piling one's wares into a series of motor trucks, buses, or trains and touring the country, exhibiting, demonstrating and lecturing, seems to be steadily gaining in popularity. Not long ago ***Standard Oil of New York*** did it on a comparatively small scale in connection with a motor safety campaign. Now, however, we have the ***General Motors'*** 28-vehicle motor caravan which, at 200-foot intervals stretches over two miles of road. Then there is ***United Drug's*** "Rexall" train caravan, a picture of which is shown elsewhere in this issue. ***Marshall Field*** is yet another company which has experimented with movable exhibitions.

Stocks With Larger Dividend Prospects

Strong Companies whose earnings trend and financial position suggests larger disbursements in the near future

By Stanley Devlin

National Steel Corp.

Throughout the depression National Steel Corp. distinguished itself by being the only major steel company to maintain operations on a consistently profitable basis. For this outstanding achievement such factors as astute management, strategic location of plants with

Earnings Per Share 1935	1934	Recent Price	Div.	Yield
$5.16	$2.80	$70	$1.50	2.1%

respect to important consumers and comparatively low cost production must be given credit. These alone, however, may not have prevented the company from "going in the red" but for the timely foresight in concentrating producing activities on tin plate and sheet and strip steel, for which demand was well sustained throughout the depression by the comparative virility of the automobile and tin container industries. Likewise, National Steel has benefited by the impressive gains shown by these industries in the past several years.

Last year, for the first time, the company disclosed net sales figures, the total for 1935 amounting to $103,176,629. After all charges, depreciation, interest and taxes net income was $11,136,452, equal to $5.16 a share on 2,156,977 shares of capital stock. Per-share earnings last year were nearly double the figure of $2.80 shown for 1934. During 1935, the company refunded a subsidiary company mortgage and its 5% serial bonds aggregating $39,300,000 by a $50,000,000 issue of 4% bonds, the balance of the proceeds to be used for capital expenditures. Outlays for the latter purpose last year totaled $15,000,000, as compared with less than $2,000,000 in 1934. It is expected that the construction program will be completed late this year, after which the company will have one of the most modern steel plants in the industry. Financial position at the close of 1935 was excellent, current assets of $53,226,523 comparing with current liabilities of $14,859,433.

In connection with the company, the thought arises that with its output principally in the lighter forms of steel, earnings from this point on will not reflect the increasing demand for heavier steel now in evidence and gains will be less marked. Doubtless this accounts for the conservative ratio of current quotations to late earnings. Such an assumption, however, remains to be demonstrated. The recovery in the demand for heavy steel is still a potentiality, while for lighter steel it is an actuality, and National Steel is practically assured of continued good earnings.

Last year the company distributed a total of $3,233,740 in dividends out of net income of more than $11,000,000. Obviously, there exists considerable leeway for increasing the present rate of 37½ cents quarterly. Both earnings and finances would justify a higher dividend rate, and at 70, the shares have sound investment appeal.

Crown Cork & Seal Co., Inc.

Reflecting the greatly expanded market for its products following the repeal of the Eighteenth Amendment, Crown Cork & Seal last year reported the largest profits in its history. This showing is the more remarkable when it is noted that within the comparatively short span of three years, operations produced both a deficit and a new high record of profits.

The company's activities embrace principally the manufacture of bottle caps, familiarly known as "crowns" and bottle filling and capping machin-

Earnings Per Share 1935	1934	Recent Price	Div.	Yield
$3.87	$2.32	$50	$1.50*	3.0%

* Incl. extras

ery. Business was stimulated particularly by the legalization of beer, although previously operations had yielded a comfortable profit from sales to manufacturers of soft drinks, food specialties and drug products. Until recently a subsidiary, the Detroit Gasket and Manufacturing Co. manufactured gaskets and other cork products for the automobile industry and was reported to contribute about 25% of the parent company's profits. Crown Cork, however, feeling that it would be to its advantage to round out its activities in the field of containers, disposed of Detroit Gasket and acquired the Acme Can Co., of Philadelphia, engaged in the manufacture of a general line of plain and lithographed cans, tin boxes, beer cans and packers' sanitary cans. It has since been announced that plans will be carried out involving a considerable expansion in the activities of this new subsidiary. Announcement has also been made that Crown Cork has developed an aluminum-lined beer can, as well as a short-necked beer bottle. It would appear that these plans have been designed specifically to assist the company in

offsetting any loss of revenue through the increasing popularity of the beer can.

For the full year 1935, the company reported net income of $1,880,753, equal, after dividends on the 145,363 shares of $2.70 preferred to stock, to $3.87 a share on the 384,237 shares of common stock. In 1934, the common earned $2.32. Financial position is comfortable and during the past year a savings in interest charges was effected through the refunding of funded debt by an issue of $5,500,000 4% sinking fund bonds. Last year the company paid regular dividends of 25 cents quarterly, plus a 50-cent extra at the year-end. Dividends aggregated only about 40% of earnings, which would readily support a $2 annual rate, as well as modest extras. While the probabilities are that earnings will show a tendency to become stabilized around recent levels this year, the shares at 50 would yield 4% on the basis of a $2 dividend, a rate of return which would lend income attraction to the shares in the present circumstance of unusually low yields.

American Cyanamid Co.

The American Cyanamid Co., rated as the fourth largest chemical company, formerly engaged principally in the production of crude calcium cyanamid by the fixation of atmospheric nitrogen utilizing a patented electro thermic

Earnings Per Share* 1935	1934	Recent Price	Div.	Yield
$1.61	$0.99	$37	$0.60	$1.9%

* Class B.

process. In this capacity, the company was dependent heavily upon the demand for fertilizer and mining chemicals. Since 1928, however, the company has been engaged in an extensive expansion program, involving the acquisition of numerous small independent chemical companies, the consolidation of its producing units and the introduction of numerous new products. As a result the company's industrial complexion has been altered to an important degree. American Cyanamid now ranks well among the leaders in the production of dyestuffs and pharmaceutical chemicals, as well in molded plastics and heavy chemicals, and is no longer dependent upon any single industry. During the past three years over $2,000,000 has been spent annually on new plants and equipment, and in 1934 operations were started in the new plant of the Southern Alkali Corp., in which the company has a joint interest with the Pittsburgh Plate Glass Co.

The effectiveness of these changes has begun to find tangible reflection in the company's earnings. Last year, net profit of $4,062,160, was equal after all charges, depreciation, taxes, etc., to $1.61 a share on the 2,520,368 shares of class A and class B common stock. On a similar basis, earnings were equivalent to 99 cents a share in 1934. During 1935 the company used the proceeds from the sale of $6,400,000 4% debentures to retire higher interest bearing indebtedness, and $2,600,000 was borrowed from the banks against serial notes for working capital purposes. Including cash and marketable securities of nearly $10,000,000, current assets at the close of the past year totaled $27,150,754, while current liabilities were only slightly more than $6,000,000. Inventories were up about $2,000,000.

Late last year, common stock dividends were increased from 10 cents to 15 cents quarterly. Confronted with the evidence of current financial strength and the well defined probability that earnings will continue to respond to the forces of business recovery, considerable latitude exists for a further upward revision in dividends in the near future. Recently quoted at 37, the shares have generously discounted the recent improvement in the company's affairs, but as is true in the case of most of the better chemical issues, the market premium can be justified in a large measure by the unlimited possibilities for further growth of the chemical industry.

United Carbon Co.

Record-breaking earnings are becoming an almost commonplace occurrence with the United Carbon Co. Profits in 1934 were higher than for the previous peak year, 1929, and last year's results surpassed both 1929 and 1934. Factors other than the impetus of general business recovery have contributed to make such an impressive showing possible.

United Carbon Co. is one of the foremost manufacturers of carbon black, an industrially valuable product because of its fineness of division. Of the total amount of carbon black produced, 75% is used in the manufacture of automobile tires, 15% in printing inks, with the balance used in such products as shoe polish, rubber heels and paints. Moreover, more than 60% of the world's supply of carbon black is to be found in the Texas Panhandle, in which district United Carbon has large properties. A sizable increase in the output of automobile tires last year resulted in a gain of about 25% in shipments of carbon black for the industry as a whole. Prices were also stronger last year. Of greater importance in relation to recent earnings, however, has been the substantial gains in the sale of natural gas recorded by the company. The production of natural gas is an important phase in the manufacture of carbon black and United Carbon has its own natural gas plants and pipe lines and owns and leases many thousands of acres of gas lands, including about 500 acres in the important new Rodessa field. Last year the company acquired 15,225 acres of gas leases in Kentucky, Kansas, Louisiana and Texas and 41 producing wells were drilled.

Earnings Per Share 1935	1934	Recent Price	Div.	Yield
$4.70	$3.55	$74	$2.50	3.2%

Activities in all branches of the company's business last year produced net income of $1,872,405. Applied to the single class of stock, outstanding in the amount of 397,885 shares, 1935 profits were equal to $4.70 a share, materially above the $3.55 figure for 1934. Finances at the year-end were secure.

With the entire equity vested in the capital stock, the company can readily afford to follow a generous dividend policy. The present rate of $2.40 annually, however, is but little more than 50% of last year's earnings. Adequate funds for the acquisition of new leases and gas acreage are normally available from depreciation and depletion reserves, and favored by the strong probability that sales of natural gas will continue strongly upward, prospects for a larger dividend and increased earnings may be readily perceived. At 74, the shares are a worthy candidate for potential income and price appreciation.

Phillips Petroleum Co.

The excellent report of Phillips Petroleum for 1935 was foreshadowed some weeks in advance of its publication not only by sharply increased quarterly earnings but by the persistent strength in the company's shares, when other representative oil issues were comparatively static.

The company's total production of

(*Please turn to page* 806)

Low-Priced Stocks With Profit Potentialities

Selected from the Most Favorably Situated Companies in the Low Priced Group

By George Ledyard

Timken-Detroit Axle Co.

Participates in Building and Motor Truck Field—
Recent Price $17

The 1936 outlook for Timken-Detroit Axle Co., is one of double-barreled promise. Sales and earnings should be substantially enlarged by the increased demand for the company's two principal products—oil burners and motor truck axles. There is little doubt that there will be a sizable further gain in residential building this year. The need for new housing is unquestionable and such factors as increased income and employment, higher rents and ample credit facilities are calculated to supply the necessary stimuli. Meanwhile, modernization and repair work show no signs of slackening. The increasing popular acceptance of oil burners for home heating accompanied by a rise in building operations should inevitably redound to the benefit of Timken-Detroit, whose products are well established.

Leading manufacturers of trucks are confidently anticipating truck sales this year which will surpass 1929 in total. It is also likely that makers of heavy trucks will gain a larger percentage of the market this year. Timken-Detroit manufactures both front and rear axles for practically all of the leading makers of heavy-duty trucks and buses, and in addition furnishes axles for light trucks and commercial vehicles.

The company has entered the air-conditioning field, a natural supplement to its oil burner business and while this comparatively young industry is showing signs of becoming overcrowded, Timken-Detroit's sales facilities should aid its competitive position.

Last year, Timken-Detroit reported net income of $1,173,202, equal, after all charges, depreciation, taxes, and preferred dividends, to $1.02 a share on 980,000 shares of common stock. In 1934, net of $426,125 was equal to 24 cents a share. In addition to the common, there are 24,925 shares of 7% preferred stock. Financial position at the end of last year was comfortable, with current assets, including cash and securities of more than $2,000,000, totalling nearly $8,400,000, as compared with current liabilities of less than $1,000,000. At 17, the company shares are reasonably valued in relation to near term earnings, and on the basis of current prospects possess speculative merit and dividend possibilities.

International Telephone & Telegraph Corp.

Foreign Companies Do Well in the Face of Political Difficulties—
Recent Price $17

During the past two years the affairs of International Tel. & Tel. Corp. have shown progressive betterment, so much so, in fact, that the company may shortly conclude a successful refunding operation. Present plans call for the issuance of $35,000,000 3½% debentures, proceeds from the sale of which will be used to retire $23,360,000 of bank loans and a portion of the 4½% debentures due 1939. The resulting savings in interest charges is significant and the ability to sell a 3½% issue reflects the company's stronger credit position, notwithstanding the fact that the new debentures will doubtless be "sweetened" by an attractive conversion feature.

The company's preliminary report for last year revealed net income of $5,787,411, equal to 90 cents a share on the capital stock, and compares with net of $3,670,110, or 57 cents a share in 1934. To some extent earnings reflect relief from the obligation of absorbing losses of Postal Telegraph, a subsidiary now in the process of reorganization, but a substantial measure of the improvement may be attributed to increased manufacturing operations abroad and an important gain in the number of telephones in use. On frequent occasions, apprehension has arisen over the company's status in those countries where a series of political revolutions have occurred, notably Spain and Cuba. In this connection, it is interesting to note that the Spanish subsidiary contributed nearly 50% of the gain in new phones last year, while the Cuban subsidiary accounted for 6,000, out of a total gain of 56,000. In the first two months this year, when political disturbances were rife, the Spanish subsidiary showed earnings considerably ahead of the same months a year ago. While such disturbances as these are hardly to be regarded with entire equanimity, the fact remains that thus far the company has not been seriously affected.

As an equity in a company with far flung interests throughout the world and an outstanding factor in a basically important industry, the shares of I. T. & T. are subject to a veritable host of world-wide conditions, economic, financial and political. For this reason their speculative aspects are virtually inherent. Given the assurance, however, of a further approach toward stability and sanity in world affairs, the company

(*Please turn to page* 804)

The Business Analyst

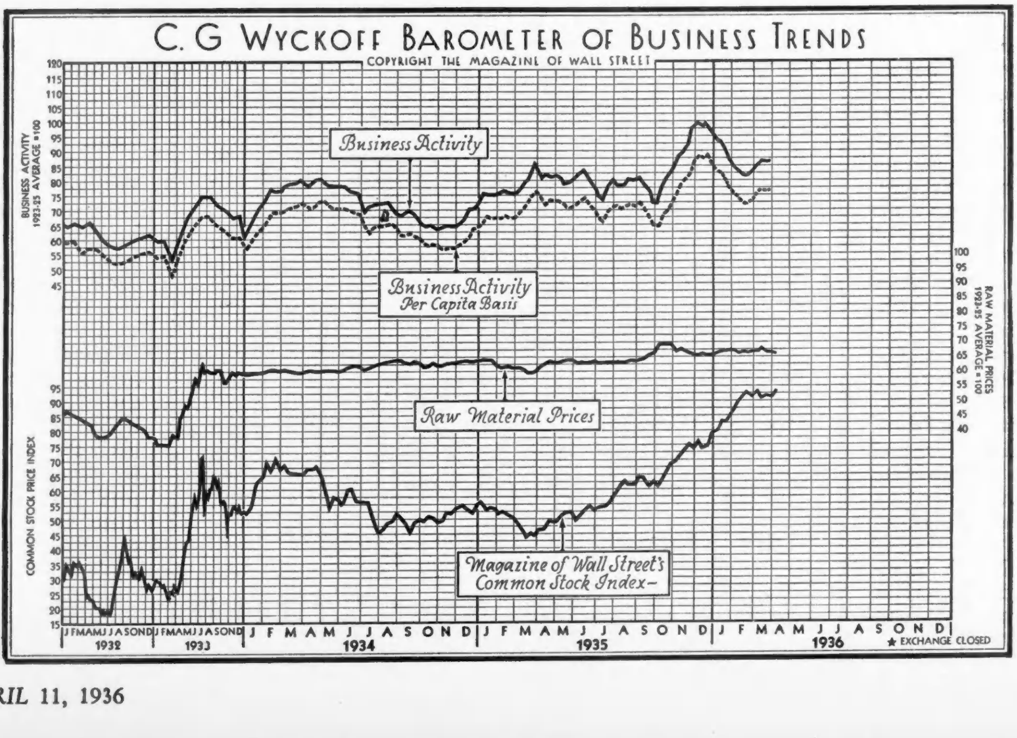
— Steel Operations Rise
— Upward Trend in Oil
— Floods Benefit Paint
— Rail Traffic Improved
— Open Prices Affirmed

AFTER a minor dip occasioned by local interruptions to traffic and plant operations, caused by water and silt, our index of Business Activity has recovered to its pre-flood level. During the next few weeks whatever losses to the nation's production were occasioned by the catastrophe will probably be more than made up, and we shall doubtless witness a sharp advance in practically all of the usual business indexes. Nevertheless, the temporary interruption, which happened to coincide with last year's peak, has caused the first quarter to close with the country's physical volume of business only fractionally ahead of last year, the poorest comparative showing this year, on an annual comparison basis.

Despite a marked drop in sales throughout the flood-stricken districts the production of motor cars continues to expand at a greater than seasonal pace, though the weekly number of units assembled is still about 5% lower than a year ago. Steel mill operations were rather sharply curtailed for about a week; but have since rebounded to the best level reached since 1930. Coal output was greatly reduced by flood conditions and at present writing has not fully recovered, a circumstance which is largely accountable for backward car loadings. Electric power output receded a little, but only temporarily.

Department store sales in the New York Metropolitan area during the first half of March gained 11.1% over the corresponding fortnight of 1935. During the third week of March, trade was greatly reduced in the flood afflicted areas; but has since more than made up for the loss, and sales throughout the country last week are estimated to have been around 15% heavier than a year ago.

Reports for February which have come to hand since our last issue, though far from uniform, make favorable comparison with corresponding figure for the previous February in respect to the nation's income and as to amounts spent for both consumers' goods and capital goods. Thus business employment showed an increase of nearly 600,000, with annual payrolls up about $2,680,000,000 owing to the persistent rise in both real and actual wages. Farm income, owing chiefly to the interruption in benefit payments, staged a gain of only 4%, compared with the 7% gain on an annual basis as reported for January. Exports were 12% ahead of the previous February, while imports were up 25% and exceeded exports by $10,000,000. Construction contracts awarded last month in 37 states east of the Rockies were 90% larger than a year ago in dollar totals, with residential building permits reporting an expansion of 190%. Machine tool orders increased 111%; but new life insurance written in February was about 8% under the previous February. Hence it would appear that the continued gains in payrolls, farm income and demand for capital goods offer assurance of favorable earnings for the second quarter as compared with the corresponding period a year ago. *(Please turn to next page)*



Considerable evidence as to the substantial foundation upon which recovery is grounded may be derived from a report recently released by the League of Nations in which it appears that, despite the world-wide unsettlement in political conditions, industrial production for 1935 as a whole exceeded even that of 1929 in twelve countries, including Russia, Sweden, Great Britain and Japan; though it fell short of 1929 by more than 30% in France and the Netherlands, by between 20% and 30% in the United States and Canada, and by about 10% in Italy and Germany. World trade for the last quarter of 1935 reached 84% of its 1929 level, the highest level since the end of 1931.

Political uncertainties at home and abroad and another crisis in the French franc have probably accounted for dullness and irregularity in the stock market during the past fortnight; though bonds have held firm under prospects for continued ease in interest rates. Our Raw Material Price Index has receded nearly a point, owing to reactionary tendencies in wheat, corn, wool, tin and lead.

The Trend of Major Industries

STEEL—Misgivings as to the effect upon profits of the Federal attack upon the basing point system have in large part been swept into the background for the time being by the recent unexpectedly great surge of new orders from general manufacturing consumers. Combined with unseasonally heavy specifications from auto accessory makers and an expanding demand for structural steel and track rails, the pressure for prompt delivery has forced an advance in the ingot rate to the best level in two and a half years. In spite of somewhat higher prices on sheets, strip and wire for second quarter delivery there has been comparatively little speculative buying, since most of the takings are going directly into consumption. Estimates of steel requirements for flood rehabilitation range up to 100,000 tons. Railroad demand for steel during the past six months has been over twice the tonnage ordered during the corresponding period a year earlier. The outlook is for rather gratifying profits this second quarter, in spite of higher costs.

METALS—Leading copper and brass fabricators are already enjoying a wave of replacement buying from recent flooded areas, and some plants are being taxed to capacity through pressure for prompt delivery. Sales of copper for March approximated 70,000,000 pounds, compared with about 65,000,000 for March, 1935. Exports in February came to nearly 40,000,000 pounds against 24,000,000 during the previous February. Buying of zinc and lead was in moderate volume during the past fortnight, and prices of the latter have receded a little. New York silver remains pegged at 44¾ cents.

PETROLEUM—Although gasoline stocks and crude output have risen at a rather unhealthy rate during the past two weeks, the situation is still well in hand and talk persists of another 10 cents advance in Mid-Continent crude in May or June. Curtailment enforcement has been strengthened by a recent decision of the Fifth Circuit Court of Appeals upholding the Connally Act which bans interstate shipment of "hot" oil.

PAINT—The paint industry is expected to benefit especially from flood rehabilitation. Some manufacturers already have experienced a pick-up in orders, but the bulk of business will come after debris is cleared away and surfaces have dried sufficiently to permit repainting. Owing to rising costs, a price advance is looked for later.

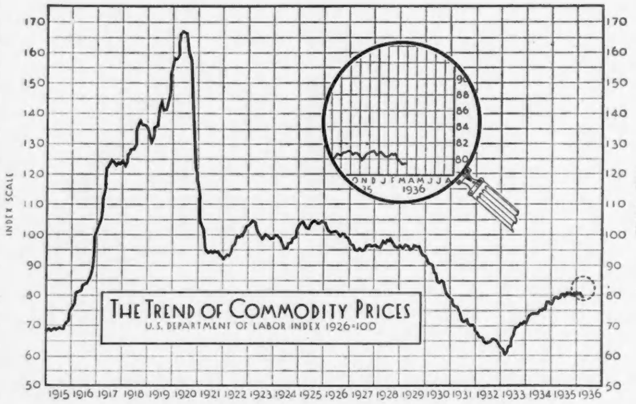
RAILROADS — Eastern carriers are petitioning the I. C. C. to modify its recent order and permit a fare reduction down to only 2½ cents on condition that the carriers will experiment first with lower fares. Snow removal expense cut railroad gain in net operating income to 14% in February, compared with 59% in January. March is expected to show some increase in spite of floods; since not all the expense of repairs will be charged to a single quarter, and traffic recently is showing gratifying recovery.

SUGAR—The U. S. Supreme Court has rendered a service not only to sugar refiners but also to several other industries in affirming the Institute's right to act as an open price association, thereby curbing unwelcome trade practices and bringing about some semblance of price coordination.

BAKING—Increasing demand for quality goods and waning of competitive price cutting are chiefly responsible for currently better profits in the baking industry, and even the first quarter probably made a somewhat better showing than the corresponding period last year.

Conclusion

Business activity has already fully recovered from the temporary interruptions occasioned by floods in the eastern states, and the second quarter promises to open with a sharp upward spurt in most of the well-known indicators. While New Deal policies have tended to some extent to hold back recovery in the United States, it seems that a dozen countries abroad have passed even the 1929 peak and thereby demonstrated that forces leading to expansion in production and trade are fundamental and world-wide. In spite of the coming election campaign and the imminence of higher taxes it seems likely that second quarter earnings will compare favorably with those reported a year ago. A strong bond market and declining raw material prices point to receding prospects for nearby inflation.

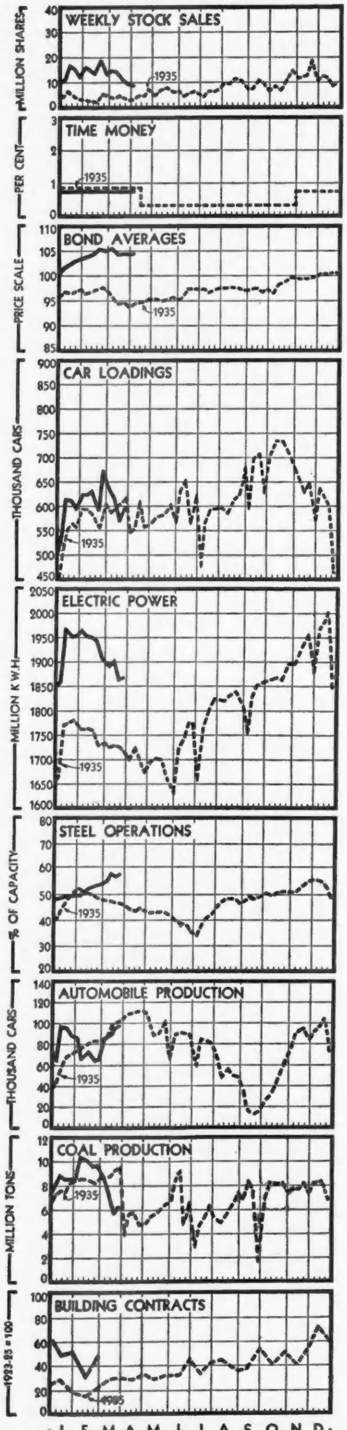


Price Changes in Major Commodity Groups for the Fortnight Ended March 28, 1936

Farm Products	up 0.4	Metals	down 0.2
Foods	no change	Building materials	up .01
Hides and leather	down 0.2	Chemicals	up 0.1
Textiles	no change	Housefurnishings	up .01
Fuel and lighting	down 0.6	Miscellaneous	no change

The Magazine of Wall Street's Indicators

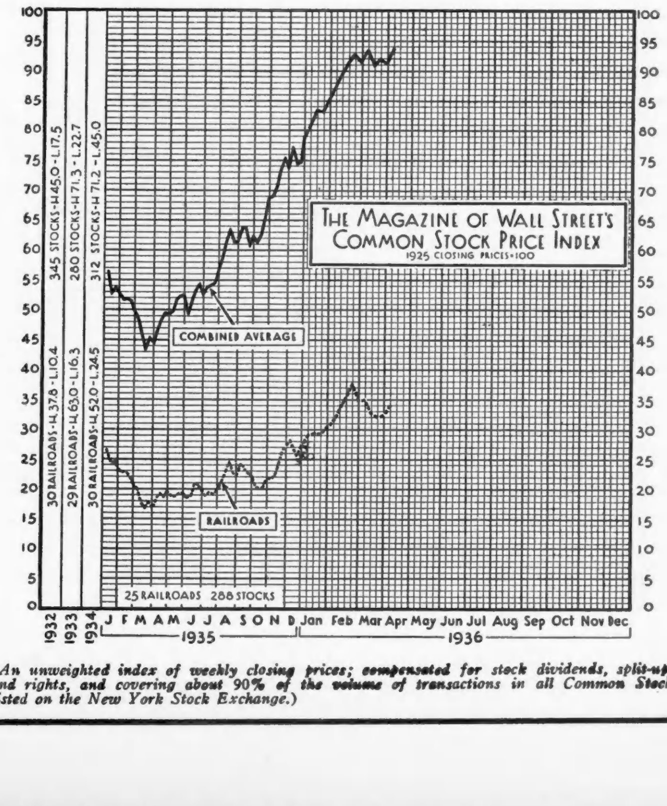
Business Indexes



Common Stock Price Index

1935 Indexes High	1935 Indexes Low	1935 Indexes Close	Number of Issues	(1925 Close—100)	1936 Indexes High	1936 Indexes Low	Mar. 21	Mar. 28	Apr. 4
78.4	45.0	78.4	295	COMBINED AVERAGE	93.9	78.4	92.0	91.1	93.9H
119 5	64 1	113 4	5	Agricultural Implements	186 9	113 4	178 6	178 0	186.9H
41 9	17 8	41 6	6	Amusements	50 8	41 6	50.0	50 0	49.5
116 9	44 6	116 9	14	Automobile Accessories	142.2	116 8	140.5	137.0	142.2H
17 7	8 8	17 7	13	Automobiles	24.2	17 7	23.1	23 4	24.2
108 2	41 3	108 2	7	Aviation (1927 Cl.—100)	141 0	104 3	139.7	137 0	141.0H
14 7	7 9	14 7	3	Baking (1926 Cl.—100)	17 6	14 6	16 9	16 5	15 8
325 0	184 9	318 6	2	Bot. & Cks. ('32 Cl.–100)	381 7	318 6	365 8	367 4	381.7H
2.9 9	113 7	209 9	3	Business Machines	251 0	209 9	237.0	228 4	238.0
316 6	226 1	287 4	2	Cans	287.4	256 7	264.4	263 3	267.2
202.7	144 6	195 6	8	Chemicals	224.1	195 0	213.2	207 4	224.1H
42.8	22 6	42 8	10	Construction	62 9	42 8	60.6	60 4	62.9H
88.6	35 7	87 9	6	Copper & Brass	113 0	87 9	111.4	109.6	113.0
39 3	27 5	39 3	2	Dairy Products	44 1	39 3	42 4	41 1	41 6
26 6	16 0	23 5	9	Department Stores	27 7	23 5	26 1	26 1	27.7H
87 6	55.1	85 8	7	Drugs & Toilet Articles	98 9	85 8	94 4	91 6	92.2
270 0	211 2	231 8	2	Finance Companies	270 0	227 2	245 7	246 4	270.0h
66 2	51 8	62.0	7	Food Brands	70 1	62 0	68 4	67.5	68.4
56 4	46 2	47.1	4	Food Stores	50 3	44 8	44 8x	45 1	47 1
65 7	32 1	65.7	3	Furniture & Floor Cover.	76 9	65 7	69 4	74 5	76.9H
1209 7	990.2	1116 0	3	Gold Mining	1296 9	1116.0	1155 1	1118 2	1127 2
46 8	35 3	46 8	5	Household Equipment	54 4	46 8	54.4H	53 8	53 4
38 7	17 0	38.3	5	Investment Trusts	45 3	38 3	42.7	41.9	44 4
359 0	223 6	323 8	2	Liquor (1932 Cl.—100)	333 8	296 9	315.4	309 5	316 7
139 0	65 1	139.0	9	Machinery	159 3	136 5	153 9	152 5	159.3H
67 3	36 0	65.9	2	Mail Order	72 5	61 3	66 1	67.1	72.5H
63 0	34 5	62 4	4	Meat Packing	83 9	62 4	78 9	75 2	75 6
183 6	109 4	169.5	10	Metal Mining & Smelting	191 0	168 3	189 1	183 5	187.7
97 2	51 3	97.2	24	Petroleum	122 3	97 2	120.3	118 8	122.3H
67 2	23 0	67.2	18	Public Utilities	83 5	67 2	82.6	83 5h	82 3
33 0	15 9	31.5	3	Radio (1927—100)	35 4	31 5	34 3	33 1	33 6
55 7	29 3	55 7	8	Railroad Equipment	73 8	55 7	64 6	62 6	63.8
28 8	16 5	27 3	24	Railroads	37 6	27 3	32 0	32 3	34 0
16 8	5 2	16 1	3	Realty	22.9	16 1	19 9	18 0	17.9
76 4	28 5	76 4	3	Shipbuilding	87 6	75 8	82 2	81 9	83 4
88 1	37 6	88 1	11	Steel & Iron	110 7	88 1	98 2	99 0	106.7
30 4	21 1	30 4	5	Sugar	41 3	29 8	38 7	37 0	37 4
153 6	122 5	153 6	2	Sulphur	175 6	153 4	160 8	158 0	163 1
78 3	34 2	77.5	3	Telephone & Telegraph	97 4	77 5	88 4	88 3	91 7
73 5	34 7	70.5	8	Textiles	81 4	70 5	77 8	75 0	76 9
10 6	6 0	10.6	4	Tires & Rubber	15 2	10 6	14 4	14.7	15.2H
101.8	77.2	96 5	4	Tobacco	100 2	87 2	89 5	90 0	90.7
85.4	51 0	72.1	4	Traction	76 2	70.3	70.9	74.1	74.8
282 8	219 7	259 5	4	Variety Stores	267 8	253.8	261 5	264 4	254 5

H—New HIGH record since 1931. h— New HIGH this year. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, split-ups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

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CONSOLIDATED EDISON CO. OF NEW YORK, INC.

It is my understanding that the earnings of Consolidated Gas of New York are expected to show a decline, but that by May 1, increased consumption should begin to offset this trend. Do you believe this possible improvement is fully reflected in current prices of the stock, or should the stock now move higher?—L. M. J., Syracuse, N. Y.

You have been correctly informed as to the earnings outlook for Consolidated Gas of New York for the first quarter of 1936. At the annual meeting of the stockholders of the company, held recently, the chairman of the board of trustees explained that rate cuts put into effect last year would be reflected in lower earnings for the first quarter of 1936, by comparison with a year before, and might even carry into the second quarter, but that by May 1, it is expected that an increase in consumption will tend to offset the decline of the first few months of this year. Moreover, the chairman expressed an optimistic viewpoint concerning the longer future of the company, pointing out that the present rate of improvement in gross revenues is similar to that which took place in the years beginning with 1926. He stated further that the growth of the business has shown a distinct upturn and a gain of $100,000,000 in gross is expected in the next ten years. For 1935, Consolidated Gas, whose name has now officially been changed to Consolidated Edison Co. of New York, Inc., earned the equivalent of $2 a share on the common stock, compared with $2.18 in 1934. An increase in the electrical business, which constitutes about 75% of the company's output now, was offset by losses in the steam and gas departments and by increased taxation so that net income for last year amounted to $33,633,251, against $35,708,578 for 1934. Another important factor, offsetting some of the adverse circumstances, is the reduction of fixed charges about to be effected through the refunding of large amounts of outstanding bond issues of the parent company and its operating subsidiaries. A registration statement has recently been filed covering $35,000,000 each of 3¼% debentures due 1946 and 3½% debentures due 1956, the proceeds of which will be used to redeem at 103, $20,000,000 of 5% debentures on July 15 next and also to redeem on May 15 at 103½ an issue of $50,000,000 of 5½% debentures. This substantial reduction in interest charges of the parent company is expected to be followed next May or June by a $55,000,000 refunding operation by Brooklyn Edison Co. Two of the other operating subsidiaries have recently brought out new issues, consisting of $55,000,000 of New York Edison 3¼% bonds and $25,000,000 of New York & Queens Electric 3½% bonds, which have materially reduced the fixed charges of those units. Moreover, a law now pending before the New York State Legislature would permit the merger of all of the operating subsidiaries into the parent company, thereby effecting still further substantial economies in operation. For all of the foregoing reasons, it is our opinion that there are further appreciation possibilities in the stock of Consolidated Edison and your present holdings should be retained.

GENERAL FOODS CORP.

As a recent subscriber I will appreciate any new information on General Foods which you can give me. Don't you think this stock should do better marketwise? Is retention of 200 shares, averaging 34, in order?—F. B. M., Milwaukee, Wis.

Operations of General Foods Corp. last year were the most profitable since 1931 and dollar sales volume was the largest recorded in any year since 1930. Net earnings for the year equalled $2.23 a share on the capital stock which compared with $2.12 and $2.10 in 1934 and 1933, respectively. During the final quarter of last year there was considerable improvement in the company's business due in no small measure to intensified sales efforts and generally better conditions in the industry. Earnings for the period equalled 56 cents a

(*Continued on page* 797)

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New York Stock Exchange

Rails

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 4/1/36	Div'd $ Per Share
A								
Atchison	74¾	45⅛	60	35¾	80½	59	75	†2
Atlantic Coast Line	54¼	24½	37¼	19½	35¾	27	29⅝	..
B								
Baltimore & Ohio	34½	12¾	18	7½	24¼	16¼	20	..
Brooklyn-Manhattan Transit	44⅞	28¼	46¾	36½	50½	40¼	49½	3
C								
Canadian Pacific	18¼	10⅞	13¾	8⅝	16	10⅞	13⅛	..
Chesapeake & Ohio	48⅝	39½	53¼	37½	61	51	57¼	2.80
C. M. & St. Paul & Pacific	8½	2	3	¼	2⅞	1¾	2⅛	..
Chicago & Northwestern	15	3½	5⅝	1⅜	4⅞	3⅛	3¾	..
Chicago, Rock Is. & Pacific	6¼	1⅜	2⅝	¾	3	1⅝	2¼	..
D								
Delaware & Hudson	73½	35	43½	23½	52	36¾	45	..
Delaware, Lack & West	33¾	14	19⅛	11	23⅛	15¾	19½	..
E								
Erie R. R.	24⅞	9⅝	14	7⅛	17⅝	11⅝	14¼	..
G								
Great Northern Pfd.	32½	12¼	35⅛	9⅝	44	32¼	37	..
H								
Hudson & Manhattan	12⅛	4	5½	2¾	5⅞	4	4⅝	..
I								
Illinois Central	38⅞	13⅝	22¼	9½	28⅞	19⅝	23⅞	..
Interborough Rapid Transit	17½	5¼	23⅝	8¾	18⅞	14¼	15⅛	..
K								
Kansas City Southern	19¾	6⅝	14½	3¾	25¾	13	25	..
L								
Lehigh Valley	21¼	9½	11½	5	14⅜	8½	12	..
Louisville & Nashville	62½	37¾	64¾	34	74¼	57½	72	†2
M								
Mo., Kansas & Texas	14⅞	4⅜	6⅜	2½	9⅝	5½	8¼	..
Missouri Pacific	6	1½	3	1	4	2⅜	3½	..
N								
New York Central	45¼	18⅜	29¾	12¼	40½	27¾	36¼	..
N. Y., Chic. & St. Louis	26⅞	9	19	6	35½	17¾	29	..
N. Y., N. H. & Hartford	24⅛	6	8½	2⅝	5⅝	4	4¼	..
N. Y., Ontario & Western	11⅝	4½	6½	2⅝	7½	5¼	5⅞	..
Norfolk & Western	187	161	218	158	235	210	229	*8
Northern Pacific	36¼	14½	25¼	13⅛	36¾	24⅛	31¾	..
P								
Pennsylvania	39⅛	20⅛	32½	17¼	39	31¼	33½	‡1
R								
Reading	56⅛	35⅛	43⅛	29⅞	48⅜	35½	43⅞	2
S								
St. Louis-San Fran	4⅝	1⅛	2	⅜	3⅝	1½	3	..
St. Louis-Southwestern	20	8	14	7¾	12¾	7⅞	10¾	..
Southern Pacific	33¾	14⅞	25½	12¾	38⅞	23½	34½	..
Southern Railway	36½	11½	16½	5½	20⅝	13⅞	17¼	..
U								
Union Pacific	133⅞	90	111½	82½	138¼	108½	132¼	6
W								
Western Maryland	17¼	7⅛	10⅛	5½	12⅛	8⅞	10¼	..
Western Pacific	8½	2⅝	3⅜	1⅛	4	2⅛	2¾	..

Industrials and Miscellaneous

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 4/1/36	Div'd $ Per Share
A								
Adams-Millis	34⅞	16	37¼	38	35¾	25½	28½	1
Air Reduction	113	91¾	173	104¾	194	168½	186½	*3
Alaska Juneau	23⅞	16⅝	20⅛	13¼	17⅜	14⅝	14⅞	*.60
Allegheny Steel	23⅛	15	32	21	39¼	30½	34⅜	1
Allied Chemical & Dye	160¾	115⅛	173	125	205	157	203½	6
Allis Chalmers Mfg	23⅜	10⅜	33⅞	12	48	35⅜	47¾	..
Alpha Portland Cement	20⅛	11½	22¾	14	28½	20½	25½	1
Amerada	55⅝	39	80	48½	125½	75	114	2
Amer. Agric. Chemical (Del.)	48	25¼	57¾	41½	63¼	52	56¼	3
American Bank Note	25¼	11½	47¾	13½	52½	42½	52½	‡.50
Amer. Brake Shoe & Fdy	38	19½	42½	21	50⅞	42½	49	1.20
American Can	114¾	90¼	149⅝	110	134½	115¾	121⅝	*4
Amer. Car & Fdy	33⅞	12	33⅞	10	41	32⅜	35½	..
American Chicle	70⅝	46¼	96	66	95½	88	90	*3
American & Foreign Power	13¾	3⅞	9⅛	2	9¾	7	9	..
Amer. Power & Light	12¼	3	9⅝	1½	13½	7½	12¼	..
Amer. Radiator & S. S	17⅝	10	25⅛	10½	27⅜	20¼	23¼	..
Amer. Rolling Mill	28¼	13½	32⅜	15¾	34	28⅛	29⅞	1.20
Amer. Smelting & Refining	51¼	30¼	64⅝	31⅝	91½	56¾	86½	‡.80
Amer. Steel Foundries	26½	10⅛	25¼	12	33⅜	23¾	30⅜	..
Amer. Sugar Refining	72	46	70½	50⅛	61⅛	51½	53⅝	2
Amer. Tel. & Tel	125¼	100⅛	160½	98⅞	178	155¾	164½	9
Amer. Tob. B	89	67	107	74¾	104	88½	92⅛	5
Amer. Water Works & Elec.	27⅝	12⅝	22¾	7⅛	24¼	20½	22⅛	..
Amer. Woolen Pfd.	83¾	36	68¾	35½	70¾	60	63¾	‡1
Anaconda Copper Mining	17¾	10	30	8	36⅜	28	36	‡.25
Armour Co. of Ill.	6¾	3½	6⅛	3¼	7⅜	4¾	5½	..
Atlantic Refining	35¼	21½	28	20½	35⅛	27⅛	34⅝	1
Auburn Auto	57⅜	16½	45½	15	54¼	40½	50½	..
Aviation Corp. Del	10¾	3¾	5¼	2¾	7¾	4⅝	7½	..
B								
Baldwin Loco. Works	16	4½	6⅝	1½	6⅞	4¼	4⅝	..
Bayuk Cigar	45¾	23	66¾	37½	74⅜	63½	66½	‡.75

Price Range of Active Stocks

Industrials and Miscellaneous (*Continued*)

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	4/1/36	Share
B								
Beatrice Creamery	19¾	10¼	20⅛	14	26	18	23	†.50
Beech-Nut Packing	76⅝	58	95	72	90½	85	88⅜	*3
Bendix Aviation	23⅞	9¾	24½	11⅞	28½	21⅝	27⅞	1
Best & Co.	40	26	57½	34	57	48	57	*2
Bethlehem Steel	49½	24⅛	52	21⅝	59¾	52½	57⅞	..
Bohn Aluminum	68¾	44½	59⅞	39⅝	63⅛	52	57¼	3
Borden Company	28¼	19⅞	27¾	21	30¼	25⅝	27⅞	1.60
Borg Warner	31⅜	16⅛	70½	28¼	83½	64	80⅜	3
Briggs Mfg	28⅜	12	55⅜	24½	64⅞	51½	60½	*2
Bristol-Meyers	37½	26	42	30⅜	48½	41	47½	*2
Burroughs Adding Machine	19⅜	10½	28	13¼	33¼	25⅝	28	*.60
Byers & Co. (A. M.)	32¾	13¾	20⅝	11⅜	25¼	19⅞	22⅝	..
C								
California Packing	44⅜	18¾	42½	30½	37⅝	33	33⅞	1.50
Canada Dry Ginger Ale	29½	12½	17⅝	8⅛	16½	13¼	14½	..
Case, J. L.	86¾	35	111¼	45¾	163½	92½	163½	..
Caterpillar Tractor	38¾	23	60	36½	75	54¾	75	2
Celanese Corp	44⅞	17⅛	35⅜	19½	32¼	26¼	28⅜	‡.50
Cerro de Pasco Copper	44½	30¼	65¾	38⅝	56⅝	47¾	54¾	4
Chesapeake Corp	48⅞	34	61¼	36	74½	59	64¼	3
Chrysler Corp	60⅜	29¼	93⅞	31	101½	85½	97⅞	4
Coca-Cola Co	101½	95¼	93	72½	97¼	84	90	2
Colgate-Palmolive-Peet	18⅛	9⅜	21	15⅛	20½	17¼	18½	.50
Columbian Carbon	77¼	58	101¼	67	118¼	94	114½	*4
Colum. Gas & Elec	19¼	6⅝	15¾	3⅜	20⅜	14	20⅜	†.20
Commercial Credit	40¼	18⅝	58	39½	52⅜	44	51⅞	2.50
Comm. Inv. Trust	61	35¾	72	56¼	64⅝	55	64	*3
Commercial Solvents	36¾	15¾	23⅞	16½	24⅝	20¼	21⅝	.60
Congoleum-Nairn	35⅜	22	27	45¾	44½	35½	40½	1.60
Consol. Oil	14¼	7¼	12¼	6½	15¼	11⅞	14½	‡.25
Container Corp.	....	....	23⅛	22	26¼	19⅜	23½	..
Continental Can	64½	56¾	99¼	62¾	87¼	73½	81¾	3
Continental Insurance	36¼	23⅜	44⅞	28⅞	46	39¾	40	*1.20
Continental Oil	22¾	15¾	35	15⅛	38½	33½	36	1
Corn Products Refining	84½	55½	78⅜	60	78½	68½	72½	3
Crown Cork & Seal	36¼	18¾	48⅞	23½	54	43⅝	50	1
Cudahy Packing	52⅝	37	47½	35⅛	44½	38⅝	40	2.50
Cutler-Hammer	21½	11	47	16	65	43¼	60⅛	‡.25
D								
Deere & Co.	34⅛	10⅛	58¾	22¾	87	52	86	..
Diamond Match	28½	21	41	26½	40½	37	37	*1.50
Distillers Corp. Seagrams	26⅝	8⅞	38½	13⅝	34⅝	25⅛	27½	..
Dome Mines	46¼	32	44⅞	34⅛	52⅜	41½	45	*2
Douglas Aircraft	28½	14¼	58⅜	17½	75¾	50⅝	70	..
Du Pont de Nemours	103⅞	80	146½	86⅝	151⅜	138	150	3.60
E								
Eastman Kodak	116½	79	172¼	110½	170½	156½	169	*5
Electric Auto Lite	31⅜	15	38⅜	19⅜	44⅝	36½	41	1.20
Elec. Power & Light	9⅝	2¼	7½	1⅛	16⅜	6⅜	14½	..
Electric Storage Battery	52	34	58¾	39	55¼	48⅝	50	*2
Endicott Johnson Corp	63	45	66	52¾	69	62⅛	67	3
F								
Fairbanks, Morse	18¾	7	39½	17	49¼	34¾	46¼	..
Firestone Tire & Rubber	25¼	13⅛	25½	13⅛	33⅛	24⅞	31	1.20
First National Stores	69¼	53	58⅞	44⅜	48¼	40½	44⅞	2.50
Foster Wheeler	22	8½	30	9⅞	38¾	27	33	..
Freeport Texas	50⅜	21½	30⅝	17¼	35⅝	28½	31	1
G								
General Amer. Transpt.	43⅝	30	48½	32⅝	63	47⅛	52¼	1.75
General Baking	14⅜	6½	13⅜	7⅜	14⅜	12	12¾	.60
General Electric	25¼	16⅞	40⅞	20½	41⅞	36⅛	39⅝	1
General Foods	36⅞	28	37½	30	36	33⅜	35⅞	1.80
General Mills	64½	51	72½	59⅞	70½	59¾	64	3
General Motors	42	24⅝	59⅜	26⅝	69	53⅞	68¾	*2
General Railway Signal	45¾	23½	41¼	15⅝	50	39½	46	1
General Refractories	23⅜	10⅛	33½	16¾	43	33½	42¾	†.50
Gillette Safety Razor	14⅞	8½	19½	12	18⅝	16⅝	17	1
Glidden	28⅜	15⅝	49½	23⅜	55¼	45¼	50½	2
Gold Dust	23	16	22	14⅜	21⅜	18⅝	20	1.20
Goodrich Co. (B. F.)	18	8	14½	7½	20⅞	13⅝	19⅞	..
Goodyear Tire & Rubber	41⅜	18½	26⅞	15¾	31¼	21¾	28⅞	..
Great Western Sugar	35¼	25	34⅞	26⅝	39	31	35¼	2.40
H								
Hercules Powder	81⅝	59	90	71	105½	84	102	*3
Hudson Motor Car	24½	6⅛	17½	6¼	19¾	15	18⅛	..
Hupp Motor Car	7¼	1⅞	3⅞	¾	3¼	1	2¼	..
I								
Industrial Rayon	32¼	19⅜	36⅜	23½	31⅞	28½	30	1.68
Ingersoll-Rand	73¾	49½	121	60½	147	117	134	*2
Inter. Business Machines	164	131	190½	149¼	185	173	180	*6
Inter. Cement	37¾	18⅜	36⅞	22⅞	49¾	35½	47⅞	1.50
Inter. Harvester	46⅞	23¼	65⅝	34⅛	88⅜	56⅝	87¼	1.20
Inter. Nickel	29¼	21	47¼	22¼	54¼	44⅛	50	1
Inter. Tel. & Tel	17¾	7½	14	5⅝	19¼	13	17⅜	..
J								
Jewel Tea Co	57½	33	67	49	77½	58½	70	4
Johns-Manville	66⅜	39	99½	38½	129	94⅛	109¾	2
K								
Kelvinator	21¼	11⅝	18¼	10¼	25⅝	14¾	23	*.50
Kennecott Copper	23⅛	16	30⅜	13¾	39	28¼	38½	1
Kroger Grocery & Baking	33⅝	23¼	32⅛	22¼	28	23½	25	1.60
L								
Lambert	31¾	22¼	28½	21¾	26¾	22	22⅞	2
Lehman Corp	78	68¼	95¾	67⅛	100¼	94	96½	3
Libbey-Owens-Ford	43⅞	22½	49¼	21½	63⅛	47¼	60	2
Liggett & Myers Tob. B	111¼	74½	120	94¼	116½	97¾	102½	*4
Loew's	37	20⅜	55⅛	31¼	54⅞	46⅝	47¼	*2
Loose-Wiles Biscuit	44¾	33¼	41⅝	33	45	40½	43½	2
Lorillard	22½	15¾	26½	18½	26½	22	22¾	1.20

Price Range of Active Stocks New York Stock Exchange

Industrials and Miscellaneous (*Continued*)

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	4/1/36	Share
M								
Mack Truck	41¾	22	30⅝	18⅝	36¾	27⅝	33¼	1
Macy (R. H.)	62⅛	35¼	57½	30½	49⅜	45	46½	2
Mathieson Alkali	40¾	23½	33⅞	23¾	36½	30	32⅛	1.50
May Dept. Stores	45¾	30	57¾	35⅞	53½	46⅝	48⅛	2
McIntyre, Porcupine	50½	30½	45⅝	33¾	49⅜	39⅝	43½	2
McKeesport Tin Plate	95⅛	79	131	90½	118½	103⅛	107¼	*4
Mesta Machine	34¾	20⅛	42⅝	24⅛	50	40⅝	48¾	2
Monsanto Chemical	96½	39	94¾	55	103	89¼	100½	*1
Mont. Ward & Co	35⅝	20	40⅞	21¾	44¼	35¾	44¼	‡.20
N								
Nash Motor	32¼	12⅝	19½	11	21⅞	17⅜	19⅝	1
National Biscuit	49½	25⅞	36⅜	22¼	38¾	32½	34¼	1.60
National Cash Register	23⅝	12	23½	13½	30	21½	27½	.50
National Dairy Prod	18¾	13	22⅛	12⅞	25¼	21¼	23⅝	1.20
National Distillers	31⅝	16	34½	23⅛	33⅜	28½	31¾	2
National Power & Light	15½	6⅝	14¾	4⅞	14⅞	9¾	11⅜	.60
National Steel	58¼	34½	83¾	40⅜	75	64¼	69⅝	1.50
N. Y. Air Brake	28¾	11½	36½	18½	42	32½	37	..
North American	25¼	10¼	28	9	32⅛	25⅛	26¾	1
O								
Otis Elevator	19⅜	12½	26⅝	11⅛	32¾	24½	30½	.60
Owens Ill. Glass	94	60	129	80	163½	128	153¾	5
P								
Pacific Gas & Electric	23½	12⅜	31⅝	13⅛	37¾	30¾	37½	1.50
Pacific Lighting	37	20¾	56	19	56⅞	49	52	2.40
Packard Motor Car	6⅝	2¾	7½	3½	13	6⅞	11½	‡.10
Paramount Pictures	....	....	12	8	12	9⅛	9¼	..
Penney (J. C.)	74¼	51½	84¾	57¼	79	69	75	*3
Penick & Ford	67	44⅝	81	64½	73	64½	69	3
Phelps Dodge	18⅞	13¼	28⅛	12¾	39⅛	25⅝	38½	‡.25
Phillips Petroleum	20¾	13⅜	40	13¾	49	38⅛	49	*1
Pillsbury Flour Mills	34¾	18½	38	31	37¼	33½	33½	1.60
Procter & Gamble	44⅜	33⅛	53¾	42⅜	49	44⅝	46¾	1.50
Public Service of N. J.	45	25	46¾	20⅜	48¾	40	40⅝	2.40
Pullman	59⅜	35¼	52⅞	29½	48½	36⅞	43	1.50
R								
Radio Corp. of America	9⅛	4½	13⅜	4	14¼	11¾	13⅛	..
Radio-Keith-Orpheum	4¼	1½	6	1¼	9¼	5	7⅝	..
Raybestos-Manhattan	23	14½	30¼	16½	33	28⅞	30⅝	1.50
Remington Rand	13⅜	6	20¾	7	23¾	19⅞	21	..
Republic Steel	25¾	10½	20¾	9	26¾	18¼	24	..
Reynolds (R. J.) Tob. Cl. B	53¾	39¾	67	55¼	58⅝	51½	53	3
S								
Safeway Stores	57	38¼	46	31⅝	35½	30	33¼	2
Schenley Distillers	38⅞	17⅛	56¼	22	52	45⅛	46½	..
Sears, Roebuck	51¼	31	69⅞	31	68	59⅝	67¾	2
Servel	9	4⅜	17	7⅝	22½	15⅝	21⅞	‡.12½
Shattuck (F. G.)	13⅞	6¾	12⅞	7¼	16⅛	11⅛	16⅛	.50
Shell Union Oil	11½	6	16½	5½	19¼	15¼	17⅝	..
Socony-Vacuum Corp	19⅞	12½	15¾	10⅝	17	14	14½	.40
So. Cal. Edison	22⅛	10⅛	27	10⅝	28¾	25	27⅜	1.50
Spiegel May Stern	76¾	64	84	43⅞	72⅞	63	72¼	3
Standard Brands	25¼	17¼	19⅛	12½	129	120⅞	127	7
Standard Oil of Calif	42⅞	26½	41⅛	27¾	47⅝	39⅞	44⅝	*1
Standard Oil of Ind	32¾	23¼	33⅜	23	40⅛	32¾	37¾	1
Standard Oil of N. J	50⅛	39¼	52⅜	35¾	70	51⅛	66	*1
Sterling Products	66½	47¼	68	58¾	71¾	65	70½	3.80
Stewart-Warner	10⅝	4½	18⅞	6⅝	22⅝	17¼	22	.50
Stone & Webster	13¼	3⅞	15⅛	2½	19⅜	14⅝	18¾	..
Sun Oil	74½	51½	77	60½	91	72	85	*1
T								
Texas Corp	29⅜	19⅝	30¼	16½	39⅛	28⅞	38⅛	1
Texas Gulf Sulphur	43¼	30	36¾	28¾	38¾	33	34½	2
Tide Water Assoc. Oil	14⅜	8	15⅞	7⅝	19⅛	14¾	18	†.25
Timken Roller Bearing	41	24	72½	28⅜	72½	65¾	68	*2
Tri-Continental	6¾	3	8¼	1⅞	12	7⅛	10⅜	..
Twentieth Century-Fox	....	....	24⅞	13	32⅜	22⅝	28½	..
U								
Underwood-Elliott-Fisher	58⅞	36	87¼	53¾	99	86	93	2.50
Union Carbide & Carbon	50⅞	35⅞	75¾	44	87	71⅝	83½	2
Union Oil of Cal	20½	11½	24	14¾	28½	23⅛	27¼	1
United Aircraft	15¼	8⅛	30⅜	9⅞	32⅜	24⅝	25¼	..
United Carbon	50⅜	35	78	46	79	68	73½	2.40
United Corp	8⅞	2⅛	7¾	1½	9¼	6½	7⅛	..
United Corp. Pfd	37⅞	21¼	45¾	20¾	47¾	42¾	45	3
United Fruit	77	59	92¾	60½	79	66½	73¾	3
United Gas Imp	20⅛	11½	18½	9¼	19½	16	16⅛	1
U. S. Gypsum	51¼	34¼	87	40½	110½	85	100	*1
U. S. Industrial Alcohol	64¾	32	50⅝	35⅛	55⅛	39	55⅛	2
U. S. Pipe & Fdy	33	15½	22⅝	14¾	38⅜	21½	37	‡.50
U. S. Rubber	24	11	17¼	9⅛	30⅜	16⅜	29⅜	..
U. S. Smelting, Ref. & Mining	141	96⅝	124½	91¾	96½	84½	90	‡6
U. S. Steel	59⅞	29⅜	50⅝	27½	67⅞	46⅜	67⅛	..
U. S. Steel Pfd	99½	67¼	119¼	73⅝	132	115½	129¾	3
V								
Vanadium	31¾	14	21¾	11¼	27¼	20¼	23¼	..
W								
Warner Brothers Pictures	8¼	2¾	10¾	2¼	14⅝	9¾	12⅛	..
Western Union Tel	66⅞	29½	77¼	20⅝	95	72⅞	88	‡2
Westinghouse Air Brake	36	15⅞	35¾	18	48⅛	34¾	43	1
Westinghouse Elec. & Mfg	47¼	27⅞	98¾	32⅝	122⅞	94½	116⅞	3
Woolworth	55¼	41¼	65¼	51	56⅜	49	49⅞	2.40
Worthington Pump & Mach	31⅞	13½	25¼	11¾	35½	23½	34¼	..

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year

Answers to Inquiries

(Continued from page 792)

share, as compared with 40 cents a share during the like interval of 1934. Thus the company was able to more than make up during the final quarter the somewhat lower earnings recorded in the first nine months of the year when share earnings of $1.67 were 5 cents below the $1.72 recorded for the like interval of 1934. Marked progress was made during the year in increasing the number of outlets equipped to handle the company's quick-frozen foods which are marketed by Frosted Foods, a subsidiary. This branch of the business gives promise of becoming increasingly important from an earnings standpoint, since the quick freezing process has much to recommend it not only from the standpoint of flavor preservation but also because of convenience to consumers. The introduction of this line presented the problem of educating the public to the advantages of frozen foods, while the cost of the necessary equipment to retailers was considerable and proved a drawback to widespread distribution. However, an improved low-cost refrigerated case was introduced in 1934, and since that time the number of retail outlets has shown phenomenal growth. Also, sales of these products to steamships, railroads, hotels, etc., are steadily growing. As now constituted, General Foods handles over 80 branded lines which, due to quality and extensive advertising, enjoy wide public demand. The company has outstanding no funded debt or preferred stock, capitalization consisting solely of 5,251,440 shares of common stock. Since fianancial condition is exceptionally strong, indications are that the present $1.80 annual dividend rate is secure. Although we do not look for any sharp pick-up in earnings, gradual improvement may be looked for in line with expanding consumer demand. On the basis of the present satisfactory return and longer pull market possibilities, we recommend further retention of your holdings.

LOEW'S, INC.

I understand that Loew's earnings may advance to $5.50 a share this year. In your opinion, is this possibility discounted in current prices? Would you continue to hold shares bought at 43?—J. B. B., Los Angeles, Calif.

A change for the better in the income of Loew's, Inc. is anticipated in the current half of the fiscal year, it being estimated that earnings will be equal to between $2.80 and $2.90 a share compared with a rate of $2.64 a share a year ago. At that rate, and with further gains now in evidence, it is not impossible that earnings for the 1936 fiscal year will amount to $5.50 a share, as you say, which would be a very substantial improvement over the net of $4.49 a share for the 1935 fiscal period. These results are estimated despite the fact that for the first twelve weeks of the fiscal year, ended November 21, 1935, there was a decline in income to $1.08 a share, against $1.23 for the corresponding period the year before. The decline, strangely, was largely attributable to the success of recent films, which had unexpectedly long runs and therefore delayed the showing of new films and the receipt of income therefrom, at a time when the cost of film amortization was running at a high rate, thereby accruing costs at a rate faster than income was received. However, that situation has now been corrected and it is reported that domestic gross income is now running at a rate of 20% better than a year ago, while the income from overseas operations has also increased substantially. The company recently concluded successfully a refunding operation whereby an issue of $15,000,000 of 3½% debentures was floated, to replace about $8,000,000 of 6% debentures, thus substantially decreasing its fixed charges. Earsings from foreign operations have shown a gain, not only in England, but in South Africa, where improved distribution methods have recently changed a losing situation into a profitable one. Offsetting to some extent the improvement is earnings which is expected to continue even beyond 1936, are several unfavorable factors in the form of anti-trust suits by the United States Government against various motion picture companies including certain of the subsidiaries of Loew's, Inc. Other litigation is pending involving damages for personal injuries and other suits concern infringement of patents and copyrights and a breach of contract in America and in foreign countries. However, over a longer term it now appears to us that the favorable factors are likely to outweigh the unfavorable ones and therefore we would counsel further retention of your present holdings.

INTERNATIONAL BUSINESS MACHINES CORP.

In your opinion, can International Business Machines advance much further on its 1936 prospects? What are your views on its dividend possibilities? — W. W. B., Washington, D. C.

Judging by 1935 world business results, which were the best in the history of International Business Machines Corp., the 1936 prospects for the company are entirely favorable. The annual report for 1935 showed income of $7,090,530 equal to $9.88 a share on the 717,412 shares of common stock outstanding at the year-end, compared with a net of $6,597,362 or $9.38 a share on 703,345 shares outstanding in 1934. Although heavy capital expenditures and write-offs were made, and sums averaging between $700,000 and $800,000 per year are spent for the development of new products, the financial position of the company has remained strong, the balance sheet for December 31, 1935 showing current assets of $5,903,327 including $1,339,140 cash, against current liabilities of $3,237,650. Working capital declined slightly in 1935, but remained adequate and inventories increased to $2,027,767 compared with $1,813,869 at the end of 1934. This company was affected only slightly by the depression, its largest net income having been achieved in 1931, while from 1933 to 1935 earnings have shown a steady increase. The company does a business which is international in fact as well as in name, since it operates in 79 countries throughout the world. The improvement in underlying business conditons, abroad as well as at home, therefore augurs well for the prospects of the company for the

remainder of this year and for the longer term future. It receives revenues both from the rental of machines and from sales of machines and supplies for use with them. There is litigation in the courts involving the company's practices requiring the purchase of specially prepared cards and other supplies for use with the machines it builds. A final decision is now pending before the United States Supreme Court on this subject. However, it has been pointed out by representatives of the company that even if future rental contracts should eliminate the clause involving the purchase of certain cards from the company, it would affect only a minimum part of the company's business of that class, since by far the larger part of the cards used are patented and are obtainable nowhere else. The dividend policy of International Business Machines has been consistent, the present $6 cash rate having been maintained since 1930. Additional participation for stockholders in the profits of the business is more likely to take the form of further stock dividends, since such payments were resumed in 1935 with a distribution of 2% followed by one of 3% in February, 1936. Moreover, the proposal to increase the authorized common stock from 750,000 shares to 1,000,000 shares points to the possibilities of additional distributions of this kind. In view of the satisfactory longer term prospect, the stock of International Business Machines is well situated, in our opinion, to give further reflection marketwise and therefore we feel that continued retention of your present holdings is justified.

PHELPS DODGE CORP.

I have been holding Phelps Dodge for some time and currently have several points profit. Do you feel that the outlook is such that I should retain the stock further, or do you feel present quotations discount improved conditions?—L. M. E., Miami, Fla.

Reflecting general improvement in the domestic copper situation, earnings of Phelps Dodge Corp. in 1935 registered a considerable improvement over the previous year's result. Net income for the year was equivalent to $1.21 a share on the capital stock, or more than double the 60 cents a share recorded in 1934. Production was stepped up considerably during the latter part of the year in line with expanding demand and a better price structure which accompanied improvement in general business conditions. Indications point to further improvement during the current year. Despite the heavy operating losses sustained during the four years immediately preceding 1934, the company maintained a policy of property expansion and is therefore now in a position to take full advantage of improving metal prices and demand. Also, considerable progress has been made during recent years in rounding out activities to include the production of part of fuel requirements and the manufacture of a broad list of fabricated copper products. Since the company's ore bodies contain relatively large amounts of the precious metals—gold and silver—the concern is favored by low production costs on copper. Financial condition of the company has been well maintained. Current assets at the close of the year totalled $33,317,231, including cash and marketable securities alone of $9,287,370, while current liabilities stood at $14,183,079. With the outlook indicating a rising demand for the "red metal" this year in line with expanding building construction and other activities requiring copper in one form or another, prospects for Phelps Dodge are bright. Of course, present prices for the stock cannot be regarded as undervalued in relation to current earnings, but high per share returns are not unheard of in the history of this organization. Earnings in 1928 equalled $7.36 a share, after depletion and while that figure probably will not be equalled for some time ahead, further general business recovery should increase the demand for copper products to a point where earnings would justify much higher quotations in the market. Thus, we are inclined to suggest full retention of your holdings at least for the time being.

AMERICAN SNUFF CO.

I have been intending to write to you ever since the report of American Snuff's 1935 earnings came out. Do you favor retention of this stock for income in view of its lower earnings? Do you think this but temporary and that the 1936 showing will be better?—F. B. J., New Orleans, La.

Report of American Snuff Co. for 1935 reveals net income of $1,641,079, equivalent, after dividend requirements on the 6% preferred stock, to $3.29 a share on the common stock. This compared with $1,972,542 or $4.05 a share on the common stock in 1934. This showing was attributable mainly to a 2.9% decline in snuff consumption and also to the fact that leaf tobacco costs were moderately higher without offsetting selling price advances. Nevertheless, no further decline in demand is anticipated this year. As a matter of fact, improvement in the employment situation should witness some betterment. Admittedly, the benefits accruing to the company through the elimination of the processing taxes may continue to be offset by higher inventory costs over the medium term. Nevertheless, the regular dividend rate of $3 should be maintained in view of the financial strength of the organization. At the close of last year, current assets totalled $14,807,060 including cash alone of $2,354,510, while current liabilities amounted to only $881,467. The chief characteristic of the snuff industry is stability of demand so that no marked improvement in volume sales can be looked for. This fact naturally limits the speculative possibilities of the shares, but where income is of prime consideration we believe that retention is the best course to follow. Given further improvement in industrial and agricultural conditions in the South, where American Snuff finds its greatest outlet, earnings of the company and the market for its stock should register at least moderate improvement.

ELECTRIC STORAGE BATTERY CO.

Kindly give me your frank and impartial opinion of Electric Storage Battery. I have 100 shares, averaging 41, and am wondering if further holding is now advisable.—H. M. B., Boston, Mass.

On the basis of the record in the past, the importance of its position in the trade, its strong financial position and the comparative stability of operations, Electric Storage Battery may well be considered to have investment characteristics. While the improvement in earning power has been gradual, it has been nevertheless steady, and may reasonably be expected to continue the upward trend so far recorded. The company will undoubtedly benefit further from the increased production expected over early future months in the automobile industry, from which source it derives probably less than one third of its total volume of business. The company looks primarily to replacement business for a steady flow of profitable orders, which probably accounts largely for the realtive stability of earning power during the depression years. In this field we believe the outlook also continues favorable. These two departments contribute an important share of the business, but the activities of the research facilities of this organization have been productive of such widely diversified application of its products as railroad equipment, public utilities, airplanes and ship manufacture and operation. In these fields also continued expansion in volume and in earnings may be looked for. Report for the year 1935 shows a very satisfactory increase in gross, but higher operating costs and expenses, due in part at least to keenly competitive trade practices in the industry, prevented full effect of the increased sales volume to be carried through to net income. Earnings however were equal to $2.47 a share, comparing with $2.21 a share

reported in the preceding year. This company is financially able by reason of its cash position and by virtue of its simple capital structure to disburse practically all of its earnings in dividends to stockholders. We feel that the outlook warrants retention as a long term investment issue with the reasonable prospect of appreciation in value as earnings increase and as the demand for stocks meeting such qualifications tends to exhaust the supply of such issues.

FIRST NATIONAL STORES, INC.

I have 100 shares of First National Stores which I bought at 49. I have been disappointed in the recent market action of this stock, and would like to know if you foresee any improvement now.—D. S. S., Brooklyn, N. Y.

There are two factors of importance which appear to have been exercising a restrictive influence on the market action of the chain store issues, and which may account for the disappointment you have expressed in regard to your holdings of First National Stores. The first factor is that of narrower profit margins, and this appears to be a passing phase for which the present economic conditions are largely responsible. With the recovery in prices of commodities, wholesale prices have more quickly reflected the advance, being more sensitive to changes than retail prices. In consequence inventory costs have increased out of proportion to dollar sales and so, while sales volume has increased, the benefit of the increase has not been reflected in net earning power. In this regard, First National in common with other chain grocery store enterprises, may be expected to correct this situation gradually as retail prices which are normally tardy come more into line with the advances registered in the wholesale market. The second important factor to be considered in connection with the market action of the chain store issues is the matter of the burden of taxes which these enterprises have been forced to assume. The imposition of increased taxes arises not only from the need for additional revenues in the various states, but by reason of agitation and political pressure originating in associations of small independent store owners. In this respect, First National is distinguished from any other enterprises in a similar field. The activities of First National are confined to the New England States and New York State, in which, with the exception of Maine, freedom from discriminatory chain store taxes is enjoyed. In this connection it is interesting to note that First National Stores have, as a matter of policy, developed good will in the communities in which they operate, fa-

voring local enterprises wherever possible, assisting in the development of the communities in which they operate, and identifying themselves with local civic interests. The wisdom of this policy is becoming increasingly apparent, since the matter of public relations is an important factor. Operating efficiency is shown in the stability of earnings which, since 1929, have ranged from a high of $5.39 per share to a low of $3.89 a share, the latter figure recorded in the fiscal year ending March 31, 1935. The December quarter for the fiscal year ending March 31, 1936, shows the effect of the tendency of retail prices to catch up with wholesale prices. Net income for the period shows an increase of 23% compared with the corresponding interval of the preceding fiscal year. It seems probable that continued improvement in this respect is a reasonable prospect. Currently the dividend requirements are protected by a fair margin in earning power and the financial position is strong. We feel, therefore, that on the basis of a consideration of these favorable factors you are justified in continuing to hold your shares of this stock awaiting further developments.

BEATRICE CREAMERY CO.

I have 150 shares of Beatrice Creamery which I bought last year. This stock has advanced but little as compared with most of those I hold, and I would be grateful for any advice with which you may favor me.—G. L. K., Tacoma, Wash.

Although Beatrice Creamery showed an increase in sales for the first nine months of the fiscal year which ended February 28, 1936, net earnings reacted from the $946,000 reported for the corresponding period in the preceding fiscal year to about $700,000. This was equal after preferred dividend requirements to 42 cents a share on the common stock, and compares with $1.04 a share earned on the common stock in the like period during the previous year. Higher operating costs and expense account for reduced net income. Beatrice Creamery depends primarily upon its business in cheese, butter and ice cream, the production and distribution of milk being a comparatively minor factor in earning power. Normally, higher profit margins are obtainable in the cheese, butter and ice cream departments but fluctuations in earnings from these departments are greater as a rule than from the distribution of fluid milk. While this has undoubtedly been a factor of importance in the relatively poor showing lately reported, with increasing public purchasing power quite reasonably in prospect, and a strengthening in the price structure of the market for butter and cheese, there should accrue to this company much more satisfactory results from operations in the immediate future. Beatrice Creamery, prominent among the larger dairy products enterprises, has built up a financial status of considerable strength and we believe the company is in a position at the present time to take advantage of any increase in the volume of business in this field. The record of the company throughout the depression years has been satisfactory. Sales reached a peak in the year 1930 with approximately $83,700,000, productive of a net income of about $2,500,000. A low point in volume and in net income was recorded in 1933 at approximately $46,000,000 and $434,000, respectively. Results for the fiscal year ended February 1, 1935, show clear evidence of the recovery in this industry and of the participation by this company in this recovery. Sales were reported at very nearly $55,000,000 and net income was equal to $1.31 a share on the common stock. While the operations of the company are sensitive to price changes in the market for its products, the near-term future prospect in this respect is favorable and it is our opinion that retention of your holdings is advisable.

Plain Facts on the Steel Outlook

(Continued from page 776)

pend substantially on consumer goods outlets. By the same token, those companies engaged predominantly in the production of lighter steel, as was true in 1935, promise to make the best earnings showing.

The New Price Policy

Safely assuming, therefore, that both production and sales of steel as a whole will increase this year, it is necessary, however, to temper the favorable implications of greater demand by considering the far-reaching consequences of two recent developments in the steel industry—the new price policy recently adopted and the attack in Congress on the long established base-point system.

A short time ago Republic Steel Corp., broke a precedent with its announcement that henceforth it would issue regular price schedules and quantity discounts. This plan was frankly adopted by the company in the hopes that it would stabilize prices, particularly for sheet and strip steel, and eliminate unfair trade practices. For some time the industry has been guilty of granting secret concessions and rebates to customers, a practice which has lately increased to a point where market prices have meant little or nothing. Not only have such cut-throat competitive tactics cut into steel company profits but they have worked to the disadvantage of many steel consumers. The results of the new plan are expected, therefore, to be beneficial to both producer and consumer. The industry should be relieved of the pressure from large consumers for price concessions, while consumers, on the other hand, would have more confidence in figuring their prices and making forward commitments. It is too soon to evaluate the possible effects of this new price policy and difficulties not now apparent may later arise, but constructive and unified efforts to stabilize the price structure are definitely a step in the proper direction.

According to the price schedules announced by Republic Steel, and which are expected to be followed by other steel makers, quantity consumers of sheet and strip steel will be given discounts ranging from $1 to $3 a ton under the base price. This is tantamount to an advance in second quarter prices, for it is understood that secret concessions of as much as $6-$8 a ton were previously being given. Moreover, according to the policy announced by Republic Steel, whenever any change is made in prices it will be announced publicly. Such a plan makes the company subject to the Clayton Act, which would permit a consumer to recover triple damages, should secret concessions be granted to a competitor. This is a new and important merchandising policy in the steel industry and comes at a time when another established policy of the industry is threatened with extinction.

Basing Points

The basing point system of quoting iron and steel prices has been in operation, in one form or another, for generations, and has been subject to a series of attacks, beginning as far back as Theodore Roosevelt. The latest is the Wheeler anti-basing point bill, on which public hearings are now being held in Washington. Briefly, the basing point system, as practised by the steel industry, means that consumers are quoted prices plus freight charges from the nearest basing point. The strongest argument of the system's opponents is that consumers located near a steel manufacturing plant, in a city which is not a basing point, are compelled to pay as much for their steel as consumers 100 miles away. It is also cited that the system places smaller consumers at a decided disadvantage, unless they have the good fortune to be in a base point city. There are some eighty cities which are basing points, for at least one type of steel. Steel pro-

ducers argue, on the other hand, that the system permits all producers to compete on an equal basis for business anywhere in the country. This is true, but at the same time it is only too obvious that the consumer is being compelled to support an economic weakness resulting from the steel industry's stubborn resistance to decentralization and the shifting centers of steel consumption. For example, Pittsburgh, a leading steel center, produces three times as much steel as it consumes, while Detroit consumes three times the amount of steel that it produces.

Small wonder then that the steel industry is anxious to preserve the basing point system. If it is abolished by legislation, not a few major producers will be placed at a decided disadvantage with respect to their principal consuming outlets, and left with the only alternative of shifting their manufacturing plants, a costly and temporarily disrupting process. In the long run, however, the entire industry would probably be on much sounder ground, economically.

Confronted with this threat to the basing point system, one is compelled to pause and consider the ultimate effects upon steel prices of its abolition, combined with the greatly expanded capacity of the steel industry, particularly in the sheet and strip divisions. Increased competition, reaching a point of intensity in large steel consuming areas appears inevitable, accompanied by irresistible pressure on prices. Since 1929, 13 new continuous sheet strip mills have been placed in operation. These new mills are able to turn out nearly 8,500,000 tons annually and another 1,600,000 tons will be added when current construction is completed. Old type mills are still turning out substantial quantities, but the capacity of the new continuous mills alone would be ample to satisfy the average annual production of flat-rolled steel during the past decade. Moreover, the new type continuous mills must be operated at capacity to produce justifiable economies.

It is an accepted belief that the steel industry can break even with operations averaging 40 per cent of capacity, while at 60 per cent of capacity good profits can be shown. These percentages, however, may be subject to marked alteration when the full potential capacity becomes effective. The steel industry is one of the few major industries which has never seriously attempted to stimulate demand and broaden the use of its products by lowering prices, apparently feeling secure in its basic importance. But in recent years, new ideas, new technique and new executive talent have produced more aggressive tactics and old barriers are being stormed. The entire complexion of the industry may be changed during the next several years, further mergers seem likely and many producers may be subjected to a strenuous competitive test. Someone may even discover, that lower prices would open many new and promising vistas for steel consumption.

In the circumstances, it does not suffice to assume that the steel industry in the natural course of events will maintain the pace set by the upward spiral of business recovery. Sales may but profits may not. Immediate prospects are definitely in favor of both larger sales and profits, but beyond that, events now in the making promise to play a leading role.

What's Back of Nickel's Popularity?

(Continued from page 783)

Incidentally, International Nickel's capital expenditures last year amounted to $3,200,000 and this year the company expects that such expenditures will be not far from $10,000,000. More than $6,000,000 will go towards the enlargement of the smelter at Copper Cliff and for town improvements. The program entails the construction of a new stack, the installation of two reverberatory furnaces and eight converters with miscellaneous accessory equipment. The Creighton mine will be improved to the tune of $1,200,000, the Frood mine is to get $200,000, the research laboratory at Copper Cliff $150,000, the Ontario Refinery $800,000 and the several other plants varying amounts.

Demand at New High

There seems to be no doubt about the wisdom of such expansion. Nickel consumption last year was the largest on record, higher even than in 1929 and far in excess of the peak production experienced during the years of the Great War. At one time, nickel was essentially a war material; its outlet collapsed almost completely following the peace that ended the last great conflagration, and the manner in which the commercial demand for the metal has been built up in the past fifteen years or so has been one of the greatest romances of modern industry.

This commercial demand is still expanding dynamically. New uses are being found for nickel and new applications are being made at a time when general business is improving. The automobile industry is expecting this to be an even better year than last, the steel industry is looking forward to better days, construction has turned sharply upwards. And on top of this, we are hearing more about stainless steel railroad cars, nickel steel frames for freight cars, monel metal tanks and roofs and a host of other indications of a strong demand for nickel. Thus are International Nickel's prospects doubly bright.

Moreover, few securities are as attractive as the common stock of International Nickel merely as a stock and without regard to the properties of which it is a certificate of ownership. Such a certificate is almost an international currency. The stock is listed in New York, London, Montreal, Toronto and Edinburgh and there are additional centers where it can be sold without difficulty. It can be made the means of transferring funds from one country to another—buy in New York and sell in London. It is a protection against fluctuations in exchange.

Now, while all these favorable factors—the expanding demand for the company's output, the extreme marketability of its shares — do not in themselves make International Nickel common cheap at $50 a share, they certainly make it interesting. More than a year ago (February 2, 1935) we suggested that a profitable outcome would follow the purchase of the stock, then selling at $23 a share and having prospective earnings for 1935 of $1.75 a share. Today, with prospective earnings for 1936 less than $2.50 a share, the issue obviously is even less statistically cheap than it was a year ago—but the probability of the profitable outcome still stands.

Oil Strike Favorably Affects Three Companies

(Continued from page 779)

This is stating the company's situation as it exists today without recourse to conjecture. At the same time there is no gainsaying the possibility that it may be substantially altered in favor of the company and its stockholders. For one thing contributions to earnings by oil, through the medium of its subsidiary, United Gas, may later reach important proportions. There is also a strong possibility that the Public Utility Act of 1935 will be found unconstitutional, either in part or in its entirety. Once this phase of the public utility situation is clarified, the chances are that an equable plan of recapitalization providing for the liquidation of preferred dividend accumulations would find stockholders much more receptive.

Electric Power & Light $7 preferred is selling around 63, the $6 preferred at 60, the second preferred at 45 and the common at 14. These levels com-

pare with the previous lows this year of 32¾, 29½, 18½ and 6⅜ respectively. Obviously the substantial advance which has taken place in a relatively short space of time must be attributed in a large measure to speculative enthusiasm, and even if the more favorable aspects of the situation are emphasized, it would seem that only the longer term possibilities remain undiscounted.

The potentialities evoked by the discovery of oil by United Gas have doubtless been a contributary rather than a prime factor in the higher market appraisal recently accorded the shares of Electric Bond & Share—both preferred and common. The company's interests, of course, are much broader than either United Gas or Electric Power & Light. Affiliated companies, other than these in the Electric Bond & Share group are American & Foreign Power, American Gas & Electric, American Power & Light and National Power & Light. The affairs of all these companies, with the possible exception of National Power & Light, have shown tangible improvement during the past year, which coupled with the growing belief that the company has better than an even chance of winning its suit against the S E C contesting the legality of the Public Utility Act, have had the effect of creating a more favorable perspective for the company's securities.

Last year Electric Bond & Share reported net income of $9,299,895, sufficient to meet dividends on the $5 and $6 preferred shares with a margin of $866,000, equal to 16 cents a share on the 5,267,147 shares of common stock. In 1934, reflecting the receipt of larger service fees, interest and dividend payments, earnings on the common amounted to 21 cents a share. Overshadowing 1935 earnings, however, was the substantial increase in the value of the company's investments in the preferred and common stocks and option warrants of associated companies. The market value of these securities at the end of last year was $143,763,000 as compared with $83,289,000 at the end of 1934. Including nearly $36,000,000 in cash or its equivalent, net current assets totaled $36,743,413, while current liabilities were only slightly more than $4,000,000.

The company's 1935 balance sheet disclosed total assets of around $552,000,000. Adjusting those investments for which regular market quotations are available to conform with their quoted value at the end of 1935, the company's total assets had an indicated book value of about $293,500,000. Deducting current liabilities and allowing for all of the outstanding preferred stock, there would remain a balance of nearly $144,000,000. The latter figure would be equivalent to more than $27 a share for the common stock. If the same process is followed to give effect to the current increase in the value of securities held, the equity for the common shares would amount to around $32 a share at the present time.

The company's largest single investment is in the shares and option warrants of affiliated companies, which, as already noted, had a market value of $143,763,000 at the end of last year. The balance of the company's assets, less current liabilities, would be practically sufficient to retire the two classes of preferred stock. Thus, further recovery in the value of the shares of affiliated companies could be directly reflected in the book value of the common stock.

Various estimates and computations have been made as to the ultimate value of the common stock should Electric Bond & Share be compelled, under the terms of the Public Utility Act, to divest itself of its interest in affiliated holding companies. Too many factors now unknown would inevitably arise, should such a contingency eventuate, so that any estimate of the book value of Electric Bond & Share common at this time would be hardly more than a statistical pastime.

Accepting the situation as it exists at the present time, the shares of Electric Bond & Share seem worthy of both investment and speculative consideration. Both classes of preferred are backed by a good record of continuous payments and at 77, the $5 issue yields around 6.5 per cent, while the $6 issue yields nearly 7 per cent at 86. Both issues combine a liberal yield with possibilities for further price recovery in an attractive measure. At 23, the common is quoted about ten points below its indicated book value, and further assurance of the company's status under the Public Utility Act accompanied by evidence of sustained improvement in the position of affiliated companies, can only result in narrowing the present spread.

In summary, therefore, these conclusions stand out: Participation in the United Gas situation through the medium of that company's common stock would be a highly speculative venture. The common stock of Electric Power & Light is primarily a long pull vehicle, while of the three junior issues under discussion, Electric Bond & Share common appears to represent the best investment value at this time. The prior position of the United Gas preferred shares is a point in their favor but possibilities for greater price appreciation would seem to lie in the preferred shares of Electric Power & Light, while the preferred shares of Electric Bond & Share possess distinct merit for income.

When the Company Turns Investment Trust

(Continued from page 765)

of a debt. Other lands have been acquired since by purchase. Then there is Standard Oil of Indiana's important interest in Standard Oil (New Jersey). This was acquired when the latter bought the foreign properties of Pan American Petroleum & Transport, Indiana subsidiary. Would one say in the case of Bridgeport Machine that the lease should merely have been held until a purchaser came along, or in the case of Standard Oil of Indiana that the Jersey stock should have been distributed immediately to its own stockholders? This is not an easy question to answer; it would seem that all similar cases were best decided on their individual merits. Admitting the lack of a logical reason, the writer is perverse enough to see little wrong with Bridgeport Machine's development of its oil business, but feels that the Indiana Standard should get rid of its Jersey stock.

Oh, the strange things that companies will buy and the curious things that they will do with their stockholders' money. Colgate-Palmolive-Peet gambles on the price of gold and holds a million dollars' worth abroad. Glidden, well-known manufacturer of paints and varnishes, some time ago moved into trade-marked foods and currently is doing very well, but whether it is the paint part of the business or whether it is the food part that is bringing in the money no outsider knows. Simmons—the mattress people—still remember an unfortunate header into Berkey & Gay, furniture stores. Peerless Motors went through the wringer and emerged a brewery. And just look what American Machine & Metals, successor to Manhattan Electrical Supply of manipulative fame, does. It has a manganese and silver mine; it turns out a smart line of beauty parlor and barber shop equipment; it is a manufacturer of laundry machinery and centrifugal machinery used by other industries; it makes castings and machinery for the production of tooth-brushes; it turns out a wide variety of gasoline station equipment and not long ago acquired a fan and blower business; in September last year a part interest in a concern distributing brewery equipment was acquired.

One can go on almost indefinitely. Over the past ten years or so, Savage Arms has expanded a line of firearms to include washing and ironing machines, refrigerators and health motors, and has just entered the air-condition-

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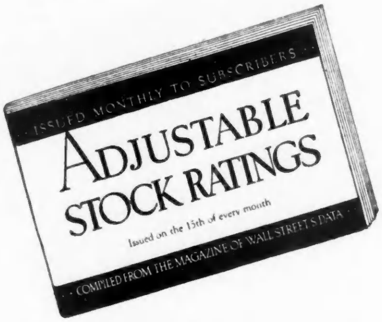

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ing field. Talking about firearms, Colt is in dish-washing machines, plastics and brake-lining. American Chain, one of the largest manufacturers of chain in the world, turns out blades for the Schick razor, mattresses, nails and air compressors. American Car & Foundry's boats are well known.

All these examples are not meant to typify reprehensible diversification, of course; they have been given merely to illustrate the strangeness of bed-fellows in certain quarters. Some undoubtedly can be justified, others not. If any general rule can be laid down for the use of stockholders' money in unrelated enterprise, it is this: Unless a corporation can make use of the element of "control", investments should not be made apart from United States Government bonds; neither in the majority of cases should "involuntary" investments unrelated to the company's own business be retained or exploited; finally expansion of any business into unrelated lines is justified only if existing facilities can be adapted with comparatively little expense. The business of a corporation is to make money in its acknowledged line and distribute it to stockholders. With all its objectionable features, if the new tax on undistributed earnings can cut down materially corporate kite-flying it will at least have its silver lining.

What the Federal Trade Commission Is Trying to Do

(*Continued from page* 769)

Society organized on individual capitalistic lines must maintain competition or evolve into state capitalism—nationalized industries. It is notorious that the socialists frantically welcome the approach of any corporation to monopoly in its field. That is because it makes the organization of the socialistic state easier and inspires propaganda for it. Competition according to fair rules does not mean that business growth is opposed or great size is tabu. There will be plenty of opportunity for the little fellow if his big competitors are compelled to fight fair. Also there will always be a real need and a wide field for huge business institutions.

Such is the conception of this government at any rate, and it is primarily through the Federal Trade Commission that the business fight is conducted in the national arena according to well tested and generally accepted rules of fair trade practices. There was a time when every competent business man could look after himself in any sort of a business fight, fair or foul. That day is gone. To maintain individualism we must support the individual in his right to a fair contest. If you don't like individualism and free and fair competition, don't blame the Federal Trade Commission but see Congress and the American people and arrange for an alteration of our political and economic principles and customs.

International Telephone & Telegraph Co.

(*Continued from page* 788)

would be in a position to develop earnings which would justify substantially higher levels for the shares. Recent quotation 17.

Cooper-Bessemer Corp.

Diesel Engine Demand Turns Earnings from Red to Black—Recent Price $17

Earnings of Cooper-Bessemer Corp. have been somewhat slow in responding to better business generally but the company's prospects at this time are definitely in favor of increased acceleration. The company manufactures Diesel engines, as well as gas engines and compressor units utilized for the transmission of natural gas. This type of business succumbed early to the forces of depression and the company reported losses in each year from 1930-1934 inclusive. These losses, however, were not too great and the company's finances were well maintained. At the end of last year, current assets of more than $3,300,000 compared with current liabilities of $123,522.

Emerging from a period of unprofitable operations last year, the company reported net income of $16,415, equal to 19 cents a share on 83,402 shares of $3 preferred stock. In 1934, a loss of $147,803 was shown. Recently, the company reported unfilled orders amounting to $1,448,624, an increase of about $1,000,000 over the business on hand January 1, 1935. Recently the company was awarded an order by the Panhandle Eastern Pipe Line Co., the size of this order making it the largest of its kind to be placed since 1930. Meanwhile, the company continues to explore the possibilities of developing the wider use of Diesel engines, and orders on hand for Diesel units include such new fields as ferry boats, oil field drilling and railroad and industrial switching locomotives. Last year the company merged its two shop departments and the resulting economies should be effective in the current months.

In addition to the preferred shares, there are 198,000 shares of common outstanding. There is no funded debt. Accumulations of unpaid dividends on the preferred shares amount to $14.25 each, or a total of less than $1,200,000 for the outstanding shares. Recently quoted around 17, the common suggests itself primarily as a long pull issue. Prior to the depression, however, the shares had substantial earning power, and with such factors as increasing evidence of business revival in the heavy industries and the probability of increased use of oil pumping equipment with declining pressure in flush fields, interesting speculative possibilities may be credited to the common stock.

American Smelting & Refining

(*Continued from page* 774)

bulk of the company silver production is foreign, subject to world price rather than to the arbitrary price of 77 cents an ounce for newly mined domestic silver qualified for delivery to United States mints.

We must conclude, therefore, that silver offers a highly uncertain basis for longer-term speculation in American Smelting common, though it at least appears probable that profits in this branch will not compare unfavorably with past normal profits, for the reason that the world price now is well below the average of 1924-1929, when there was no Treasury intervention and should be able to work moderately higher on general industrial recovery and rising commodities, subject, of course, to the unpredictable influence of our Treasury policy.

American Smelting is not a major producer of copper, its profits in this field deriving largely from treatment of ores for others, notably Kennecott Copper — also a Guggenheim enterprise — and from treatment of and dealings in reclaimed or "secondary" copper. Hence, enlarged volume of copper demand is of first importance, though secondarily higher prices presumably would enable the company to obtain higher toll profits for treatment of ores. It handled 204,452 tons of copper last year, an increase of around 30 per cent over 1934; and the year-end domestic price was 9.025 cents a pound, against 8.775 at the end of 1934. The year's volume, however, was less than one-third that of the record year 1929.

The highlights of the copper situation are that foreign recovery in consumption has run far ahead of that in this country; that the current for-

eign price of 8.95 cents, while under the domestic prices—which is protected by a 4-cent tariff—is up sharply from the 6.70 quotation at the end of 1934; that because of rapid development of low cost production in South America, Canada and Africa in comparatively recent years this country will never again have the dominant position in the world market that it formerly held.

Regardless of the tariff protection, the world price tends to exert at least a psychological influence on the domestic price. Only production control sustains the present world price. It is high enough to yield satisfactory profits to the large low cost producers and higher prices would bring in more production. In the domestic position the chief brake on prices is that any considerable rise would bring out a flood of "secondary" copper, the business in which in recent years has been a very considerable proportion of all copper business. Hence a supportable price rise must be gradual and in line with rising consumption. Regardless of general commodity trends—which, incidentally, have not been upward thus far this year—it is to be doubted copper could go above 10 cents in 1936, if that high.

As to prospective demand, some new uses are opening up, but are of longer, rather than nearby significance. General industrial demand and demand by the motor industry will show further improvement this year and a prospective gain of probably more than 100 per cent in residential construction will likewise enlarge copper volume. Normally, however, the utilities are by far the biggest buyers of copper and copper products and utility capital expenditures this year will be only moderately larger than last year. Moreover, no such great utility expansion as occurred in the decade prior to the depression is likely for some time. On the whole, another gain of 20 to 30 per cent this year in copper handled by American Smelting would be eminently satisfactory, leaving the total still less than half that of 1929.

The company's output of lead last year was 369,600 tons, as compared with 329,844 in 1934 and with 545,000. Dollar value at year-end price of 4.50 cents a pound would figure around \$33,210,000, against \$68,000,000 for similar 1929 comparison; and would compare with around \$36,000,000 for copper last year, against \$210,000,000 in 1929.

Demand for lead is running around 10 per cent ahead of a year ago and price of 4.60 today compares with 3.70 at the close of 1934, but with 6.25 in 1929 and as high as 7.80 in 1926. Stocks are plentiful and, the metal being virtually indestructible like copper, large secondary production is an effective brake on prices. The outlook may be described as modestly favorable, with full recovery dependent largely on the capital goods industries, construction and utility buying. The company has large lead production and assured large toll business from St. Joseph Lead Co. on long term contract.

Zinc occupies a relatively favorable position and, while secondary to the other non-ferrous metals in gross volume of American Smelting's business, is an important source of profits. Volume handled last year was 64,173 tons or only slightly less than previous record high of 66,040 tons in 1930. The applications of the metal are wide, extending to various consumption goods, as well as capital goods, industries—a fact which accounts for a much smaller depression decline than occurred in copper and lead and a faster recovery. New uses, such as die-casting, are important; and in paint manufacture the metal has cut more and more into other pigments. Finally, most zinc—once marketed—is permanently consumed, so that secondary output is unimportant. Current price is 4.90 cents a pound, against 3.725 at the end of 1934 and 5.45 at close of 1929 and the trend should be upward.

The Financial Setup

On the financial side, suffice it to say that American Smelting leaves nothing to be desired. Working capital, including approximately \$19,714,000 cash items, was \$72,461,295 at the start of this year or moderately higher than at the close of 1929. Inventory policies — though necessarily complicated by the diverse requirements of the business—are conservative and the substantial inventory reserves now set up are very unlikely to be drawn upon for some time to come, in view of the improbability of any renewal deflationary cycle in metals over at least the next several years.

The fixed property account, as revalued last year, is carried at only \$49,809,633 depreciated value, or substantially less than working capital. The conservatism of this account is suggested by the fact that the company began its career in 1899 with valuation of \$105,820,000, including intangibles, and since that time has made cash expenditures for property account of \$159,349,000 and written off \$164,941,000. While property values are very largely a matter of opinion, it appears to us a safe assumption that these properties are worth fully double stated value. It is also worth noting that charges for depreciation and depletion last year were \$5,791,790 or only moderately less than the \$6,336,250 in 1929, despite fact 1929 property valu-

New York Curb Exchange

Active Issues

Quotations as of Recent Date

Name and Dividend	1936 Price Range High	Low	Recent Price	Name and Dividend	1936 Price Range High	Low	Recent Price
Alum. Co. of Amer.	152	87	14½	Glen Alden Coal (1)	18⅛	14½	14¾
Amer. Cyanamid B (.60)	40¾	29¼	37	Gulf Oil of Pa. (‡.25)	98	72	96⅜
Amer. Gas & Elec. (1.40)	43¾	37½	38½	Hall Lamp (‡.10)	8¾	5⅞	8⅛
Amer. Lt. & Tr. (1.20)	25	17⅜	23¼	Hudson Bay M. & S. (1)	28¾	22¾	26⅜
Atlas Corp. (‡.40)	16¼	13	13⅝	Humble Oil (1)	76½	62½	72⅝
Bower Roller Bearing (1)	29¼	23	25¼	Imperial Oil (*.50)	24½	20	23⅝
Butler Bros	10⅞	7⅝	9¾	Jones & Laughlin	43¾	30	39½
Cities Service	7⅜	3	5¼	Lake Shore Mines (*2)	59½	51	53⅝
Cities Service Pfd	59⅞	41½	52¾	Lynch Corp. (2)	55½	34⅝	46½
Colum. G. & E. cv. Pfd. (5)	114	93	110¼	Mueller Brass (.80)	35½	26¾	31¾
Commonwealth Edison (4)	112	97	103	National Sugar Ref. (2)	28⅞	23	27
Compo Shoe (.50)	16	11½	15	New Jersey Zinc (2)	92⅜	69½	90
Consol. Gas Balt. (3.60)	90⅞	84	88	Newmont Mining (2)	96¾	74¼	91
Crane Co	29½	25⅜	25½	Niagara Hudson Pwr	11¾	8¾	10¼
Creole Petroleum (†.20)	34¾	19⅞	29¾	Niles-Bement-Pond	44⅞	32¼	40¾
Doehler Die Casting	35⅜	28	32½	Pan-Amer. Airways (1)	66¾	45¾	61
Elec. Bond & Share	25½	15¾	23⅝	Parker Rust Proof	28	25	27
Elec. Bond & Share Pfd. (6)	87	74¾	85⅝	Pepperel Mfg. (3)	70½	61	63
Ex-Cell-O A. & T.	23⅝	19¼	22¼	Perfect Circle (2)	41	37	37
Ferro Enamel (.80)	40½	28⅜	39½	Pitts. Pl. Glass (*2)	131¼	98¼	131¼
Flintkote A (*1)	50⅜	37½	47¾	Sherwin-Williams (4)	145½	118½	140⅛
Ford Mot. of Can. "A" (†.50)	28⅜	24¼	24⅜	South Penn Oil (*1½)	40½	32½	40½
General Tire	93	73	85	United Shoe Mach. (*2.50)	90	83	88½

* Includes extras. † Paid last year. ‡ Paid this year.

ation was more than twice as large as at present.

In the management of President Guggenheim and ex-lawyer Francis H. Brownell, chairman of the board of directors, and their "team," there is likewise nothing to be desired, as the record indicates.

About the only fly in the ointment for American Smelting that we can see is taxation—which is common to all business enterprise and therefore may just as well be left out of the reckoning —and the unsettled political outlook in Mexico, where the company has large investments. As a venture in speculation on our part, we hazard the opinion that Smelting will manage to keep on making satisfactory profits on its Mexican investments.

Thus far this year the company has paid dividends on its common shares at an annual rate of only $1.60. Obviously, earnings and financial position would justify a higher distribution; and the pending Federal tax on undistributed corporate profits may very well influence a more generous payment, depending on the final rates written into the law. The stock, however, usually sells on an earnings basis, rather than yield basis. Relative to other first class equities, it is moderately priced in the current market at 84; the basic trend in metals is in its favor and the longer term speculative probabilities of appreciation are, in our opinion, very considerable.

Phillips Petroleum Co.

(*Continued from page* 787)

all products last year was the largest in its history and the increase in sales was greater than the average for the industry as a whole. As a result, gross income of $92,748,873 was the largest that the company has ever shown. Net income of $13,421,703 in 1935 compared with $5,757,308 in 1934. Excluding treasury stock, earnings last year were equal to $3.23 a share on

Earnings Per Share 1935	1934	Recent Price	Div.	Yield
$3.24	$1.38	$49	$2.00*	4.0%

* Incl. extras.

4,152,836 shares of capital stock, while earnings on the outstanding stock in 1934 amounted to $1.38 a share.

In Phillips Petroleum may be found all of the fundamental elements of a soundly conceived enterprise. Not only does the company possess large reserves of raw materials which can be cheaply produced, but it has developed the efficiency of its transportation, manufacturing and distributing facilities to a point which produces important operating economies. The company's internal policies have been consistently directed both toward the fortification of its position in the oil industry and in important complementary fields, and in each it has attained an important position. These policies should in the future return increasingly larger rewards, as well as impart an important measure of stability to operations from year to year. The latter is particularly important for a company identified with an industry which has been notoriously unstable.

In recent years there has been a notable strengthening in the company's finances. Funded debt has been eliminated and notes payable (due this year) of $5,000,000 and serial notes of $14,000,000 constitute the entire capital indebtedness. Refunding operations and bond retirements last year reduced interest charges $1,200,000 annually, which means a saving equal to 29 cents a share for the stock. Current financial position at the close of the past year was excellent.

The company has begun 1936 in an auspicious fashion, earnings for January and February, according to official statements, being double those for the same months of 1935. Unless some unforseen development occurs to upset the strong statistical position of the oil industry, the current year promises to be a banner one for Phillips. Dividends, including an extra of 25 cents, totaled $1.25 a share last year and earlier this year the company paid a quarterly dividend of 25 cents, plus an extra of 25 cents. The prospect of further extras appears sufficiently assured to regard the shares as being on a $2 basis. At 49, the shares still yield a fair return and have considerable long term merit as an equity in a completely integrated and progressive oil company.

Significant Foreign Events

(*Continued from page* 773)

were hints last week in the Italian press that the fictitious gold standard was becoming onerous and that strictly managed currency might be preferable.

Whatever subversive devices Italy may undertake to solve her internal monetary problems, the effect of sanctions is not likely to increase materially the present financial strain. The channels of re-export trade through Germany and Austria from England, Belgium and France are devious—marks of origin are difficult to define, but it is fairly clear from the analysis of European commercial statistics that Italy is receiving a continuous inflow of foreign products, at least as much if not more than she can legitimately afford.

As I See It

(*Continued from page 753*)

his opponent in an attempt to avoid giving way anywhere or giving up anything, except "in principle." There is no consideration for the future of Europe or the good of mankind.

In our own country, what better example is there of the intellectual and moral deficiency than the behavior of state officialdom in the Lindbergh case.

Dr. Carrel's book comes at a time when there is a general revulsion of feeling against the decadence with which all people have been threatened since 1914. Too long has cunning been confused with intelligence—might with justice.

It is to be hoped that Dr. Carrel's inspiration will contribute toward an awakening of the truth that real intelligence, and morality are very closely related—that moral sense supplies the balance which man's intelligence requires—that when this balancing force is absent, people and nations decline.

Man must learn to know himself to live in freedom, equality and happiness. We cannot make over the whole world in one generation, but we can individually make our contribution.

Where Should Liquor Stock Sell in 1936?

(*Continued from page 781*)

fully stabilized, so are the stocks unseasoned and in some cases probably not fully digested. As a generality it is probably true that the floating supply of liquor shares is larger, relative to capitalization, than is true of more seasoned industrial equities.

7. A kind of bad "odor" attaches to liquor securities. Prohibition still has many advocates, even though they constitute a minority; and many people who have moral scruples against drinking, either moderate or immoderate, have similar scruples against investing in the liquor business. In the minds of others there is a lingering distaste for the cutthroat methods of the industry not uncommon in the years before Prohibition. Finally, still others remember the overplayed boom in liquor stocks in the summer market of 1933 and the ensuing collapse.

The Favorable Factors

1. Nine states went "wet" last year, bringing the total to forty-one; and the chances are that at least three more will fall into line this year, thus increasing the legal market.

2. Lower prices and continuing recovery in public purchasing power will substantially expand the present per capita consmption of liquors; and there is room for a very large consumption gain even in the event that the long-term temperance trend may preclude full recovery of the pre-Prohibition per capita consuming rate.

3. The legal industry appears to be gradually gaining a larger share of the total market as lower prices, increased public purchasing power and tighter Treasury enforcement work against the bootlegger.

4. In all branches of the industry the heaviest havoc among the "weak sisters" already has occurred; and further gradual weeding out will take the industry closer to stability from now on.

5. The industry is probably relatively near the point at which stocks of ageing liquor will be adequate, at which point the present drain on working capital should relax, current withdrawals from bonded warehouses should more nearly approximate current production going into storage and a larger proportion of earnings should be available for stockholders.

6. The larger companies now ap-

MARKET STATISTICS

	N. Y. Times	—Dow, Jones Avgs.—		N. Y. Times —50 Stocks—		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, March 23	87.67	157 62	47 53	122 26	120.76	1,678,550
Tuesday, March 24	87.73	156 56	47 53	123 14	121 32	1,903,340
Wednesday, March 25	87.64	157 88	47 56	122 80	120 88	1,907,730
Thursday, March 26	87.63	157.73	47 85	123 44	121.65	1,872,130
Friday, March 27	87.41	155.52	47 17	122 11	120 14	1,553,202
Saturday, March 28	87.46	155.54	47.16	120.73	119.99	656,780
Monday, March 30	87.35	155.37	46 81	121.22	120.22	946,500
Tuesday, March 31	87.23	156 34	46 93	121.42	120.18	1,041,170
Wednesday, April 1	87.44	158.96	47 70	123 49	121.75	1,686,700
Thursday, April 2	87.58	160.43	49 04	125.05	123.28	2,194,610
Friday, April 3	87.61	160.09	48 58	125.15	123.74	1,562,770
Saturday, April 4	87.61	161.50	49.10	125.15	123.95	1,011,470

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The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

"TRADING METHODS"
This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

"HOW TO PROTECT YOUR CAPITAL AND ACCELERATE ITS GROWTH"
Is the title of an interesting booklet by A. W. Wetsel Advisory Service. Copy will be sent on request. (936)

MARGIN REQUIREMENTS, COMMISSION CHARGES
J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

MAKING MONEY IN STOCKS
This booklet, issued by Investors Research Bureau, will be sent free to investors upon request. (953)

UNITED BULLETIN
Bulletin giving definite advice on leading stocks is issued by United Busines Service. Free copy sent on request. (954)

WEEKLY STOCK MARKET REVIEW
This will be sent to you upon request without any obligation by H. M. Gartley, Inc. (989)

Bank, Insurance and Investment Trust Stocks

Active Issues

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (2)	60	62
Bank of Manhattan (1½)	28	29½
Bank of N. Y. & Trust (14)	472	482
Central Hanover (4)	112	115
Chase (1.40)	39	41
Chemical (1.80)	57	59
City (1)	34½	36½
Corn Exchange (3)	63¼	64¼
Empire (1)	23¼	24¼
First National (100)	1970	2010
Guaranty (12)	287	292
Irving Trust (.60)	15¾	16¾
Lawyers Trust (2.40)	48	51
Manufacturers (*1.25)	50½	52½
New York (5)	112	115
United States Trust (*70)	2015	2065

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	53	56
Aetna Life (*80)	37	39
Carolina (*1.20)	29¼	31¼
Glen Falls (1.60)	40½	42¼
Globe & Rutgers	47	50
Great American (*1.20)	30	32

* Includes extras.

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hanover F. (1.60)	36½	38½
Hartford Fire (2)	76½	79½
Home (*1.20)	38	40
National Fire (2)	73½	76½
Phoenix (*2½)	86½	90½
Sun Life Can	525	555
Travelers (16)	625	635
United States Fire (*1.70)	54¼	56¼
Westchester F. (*1.40)	36½	38½

INVESTMENT TRUSTS SHARES

	Bid	Asked
Amerex Corp	19⅝	20⅞
Brit. Type Investors	.43	.63
Bullock Fund	18⅝	19⅛
Corporate Trust—AA	3 36	....
Fidelity Fund	26.78	28.84
Incorporated Investors	22.68	24.39
Maryland Fund	19.71	21.31
Massachusetts Invest	25.92	28.17
Nation-Wide Securities B	4 40	4.50
No. Amer. Trust Shares 1958	3.40	....
Quarterly Income Shares	1.61	1.77
Spencer Trask Fund	20.33	21.62
Uselps Voting Shares	1.14	1.22

pear to be adequately supplied with working capital as a result of conservation of profits, stock financing or both; and in most instances both total working capital and cash resources now show substantial improvement as compared with the figures of a year ago.

7. The industry shows every evidence of having taken to heart the lesson of Prohibition, with the result that a sense of public responsibility is reflected in the advertising and managerial policies of the more important concerns.

8. Since the leading liquor stocks either are paying relatively moderate dividends in relation to earnings or no dividends at all on common issues, the proposed Federal tax on undistributed corporate profits, if adopted in substantially the form suggested by President Roosevelt, should tend strongly to induce inauguration of dividends on such equities as Schenley and possibly to increase the present $2 distribution on National Distillers. Such a tax would have presented serious difficulties a year or so ago, but since working capital of most large companies has been built up substantially and since accumulation of warehoused stocks may be expected to begin tapering off in the not distant future, substantial distributions of earnings this year by some companies or beginning early next year at the latest, would appear a reasonable expectation. The inauguration or enlargement of dividends would tend to lift the market standing of such issues.

9. Stock price-earnings ratios are to some extent a relative matter. Thus at present there are some signs of increasing investment and speculative interest in consumption goods equities generally, the movement apparently reflecting a feeling that the majority of durable industry equities, however favorable the longer outlook, have probably run enough ahead of the current realities to justify a pause and a turning of attention to the laggard consumption goods groups. Such a tendency should strengthen the market standing of the liquor shares.

On the whole, balancing favorable and unfavorable factors, one must conclude that there are valid reasons why liquor stocks tend to sell on a more modest price-earnings basis than the general run of strong industrials. On the other hand the current low market appraisals of the leading liquor issues—influenced to some extent by the present adverse seasonal factor—discount in large measure, if not fully, the unfavorable elements in a situation which, for the industry as a whole, is working toward stabilization and which should be subject to considerable improvement next autumn.

Happening in Washington

(*Continued from page 757*)

Labor leaders admit privately that, in view of Chicago Judge Barnes' decision in the Bendix case disapproving the whole National Labor Relations Act, chances are bad for the act when it reaches the Supreme Court. Hint that something awful will happen if such be the outcome.

S E C's bill for extension of trading in unlisted securities registration of over-the-counter dealers, etc., favorably reported by Senate Banking and Currency Commission, will go through without amendment.

Highway trucking operators, scared stiff by Pettingill bill, rallied in force before the Interstate Commerce Commission to win a temporary counter victory over the railways in respect of the free store-door pickup and delivery service which was to have been inaugurated by the eastern carriers on April 1.

The new tariffs, ordered suspended until November 1, are typical of the hot potato the I.C.C. has as administrator of the railway law and also of the Motor Carrier Act. The latter requires the Commission to administer it so as to protect "the inherent advantage of motor transportation." Congress will probably spare the Commission another hot one by not passing water carrier regulation at this session.

Stormy outlook for ship subsidy bill, and danger that shipping may lose its present benefits without getting anything to replace them. But President stands fast in original position that American flag must be kept on the sea at any cost.—Therefore count it probable that some action (perhaps of a temporary nature) will be taken, but if you are for action don't go to sleep at the switch.

Daily snapping and sniping at American Telephone & Telegraph Co. continues in the $750,000 inquisition by the Communications Commission. Nothing of importance is revealed, none will be. If anything is developed worth while it will be that corporations, like highly centralized governments, may be too big for efficient management, from some points of view. But compared with what the government of the United States is doing in trying to administer the enormous enterprises of a business nature which it has undertaken during the emergency, the A.T.T.

at its worst so far appears to be a model of efficiency, fidelity and integrity. The fact that its much praised planning system did not provide for "the years that the locust hath devoured" is significant only as proving that 100 per cent economic planning is a delusion. But the company did provide in advance for the welfare of its people (its stockholders) in those drab years, which is a lot more than the Government of the United States did.

In Alberta, the kickback from the financial flops of the social credit scheme to create $25 a month for every body will put an end to something for nothing philosophy in that part of the world—according to reports received in Washington. "If unemployment should disappear tomorrow all the social reform hooey would go with it."

Currency inflation and the Townsend drive for $200 a month for everybody—twins of popular economic error—are out. Inflation has been deflated by the conviction that—in view of the failure of credit inflation and billions of public borrowing and spending to inflate—there was no certainty of price ascension with the adding of a few billions of pure paper money—and a good chance that reviving business would have a sinking spell. Townsend folly is dying of anti-delusion publicity injected by the special House committee of investigation.

Popular emotion is sometimes as quick in reaction as in impulsion.

No voluntary code of business regulation has come through the Federal Trade Commission since that relict of N R A was left to it. Which is to say and employers and employees have not been able to agree. Except for the innertia of habit and the acceptance of practices that were introduced under N R A there remains no trace of that once dominating force in business.

The objective of some sort of Federal control, however, remains fixed. Co-ordinator Berry is its visible function. He is on the job all the time. Don't overlook him.

"Legitimate class warfare" is the way the left wing New Dealers, including some of the Madame de Staels of the Washington salons, characterize physical violence in putting over strikes. Said one of these philosophers of "optimum force": "Few strikes, however righteous, would win without some threat or exercise of brutal force. The technique is to go as far as necessary without arousing the indignation of the community—a sort of limited civil warfare—something above mere personal violence for its own sake and something below revolt. All successful labor leaders regard this sinister side of strikes as inescapable. Society must accept it as a bloody incident of social evolution, much less painful than a general strike. People who cannot understand why strike leaders declaim violently when pickets are not allowed to work their own sweet will in disdain of law and order must get this point of view. Those realists have come to believe that an unwritten law of progress entitles them to a certain degree of physical roughness."

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